

ANGELES CHEMICAL CO., INC.

VALUATION REPORT
600 Shares of Common Stock
(\$10 par value)

As of April 30, 1980

Angeles Chemical Co., Inc.
600 Shares of Common Stock
Fair Market Value as of April 30, 1980

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CHARLES B. STARK, JR.
A PROFESSIONAL CORPORATION
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August 13, 1980

Mr. John G. Locke
President
Angeles Chemical Co., Inc.
8915 Sorensen Ave.
Santa Fe Springs, California 90670

Re: Angeles Chemical Co., Inc.
600 Shares of Common Stock
Fair Market Value
as of April 30, 1980

Dear Mr. Locke:

Pursuant to your request of July 1, 1980, we have conducted a valuation study to determine the fair market value of the 600 shares of Common Stock of Angeles Chemical Co., Inc. ("Anchem" or the "Company") issued and outstanding as of April 30, 1980. The fair market value of the subject shares was as follows:

<u>Number of Shares</u>	<u>Price Per Share</u>	<u>Market Value</u>
600 Shares of Common Stock (\$10 par value) (the "Stock")	\$2,667	\$1,600,000 (Rounded)

This Valuation Report sets forth and discusses the various factors which were researched, analyzed and considered in arriving at our opinion of the fair market value of the Stock as of April 30, 1980.

Introduction and Background

The data upon which we have relied in forming our opinion regarding the fair market value of the Common Stock of Anchem is outlined in Exhibit A. The comparative financial statements which set forth the operating history of the Company are presented in Exhibit B. This exhibit should be reviewed to understand the reported results of Anchem.

The analysis of the operating income for Anchem, as adjusted for certain items which we have added back to arrive at a restated pre-tax net income and an after-tax net income, is shown in Table I-A. An analysis of John Locke's compensation appears as Table I-B and should be read in conjunction with Table I-A. The balance sheet (unaudited) for the Company as of April 30, 1980, is reproduced in Table II.

For purposes of this assignment, we have "added back" certain expense items which result in a higher, and arguably, a more representative picture of the true earning capacity of Anchem. The two items which should/not be adjusted (i.e., added back) are (1) fees for outside directors (\$6,000 per year for 1976-1980) and (2) salary adjustment for John Locke.

It could be argued that non-management directors are entitled to directors' fees for assuming the responsibilities and liabilities of directors. However, the amount of dollars is immaterial so as not to influence the final valuation.

It could also be argued that John Locke's actual compensation is reasonable for his management position and direction of the Company. However, for this valuation, we have assumed a

"constructive salary" for Mr. Locke based on the salary for a general manager plus a 50% premium for his duties as President of Anchem. Again, we have added back this difference in our analysis set forth in Table I-A.

In our Restatement of Earnings for Anchem, the Company would have earned \$320,000 net income for fiscal year ended April 30, 1980. This result is in contrast to the actual earnings of \$221,000. John Locke is projecting operating results for fiscal year April 30, 1981 to be "flat" or equal to fiscal 1980.

Please note that the restated average earnings for the five fiscal years 1976-1980 was approximately \$195,000. This figure is almost identical for the fiscal 1975 restated result (\$194,000) and slightly above fiscal 1978 (\$187,000). Fiscal 1980 was an extraordinarily good year for Anchem, looking at the raw numbers. However, the profit margin (% of sales) of 2.7% is in line with the five-year average of 2.5%, and significantly below the profit margin for fiscal years 1974 and 1975 on a restated basis.

In our analysis of Anchem, we analyzed certain data for Foremost-McKesson, Inc. The Chemicals Group, including McKesson Chemicals, is the largest independent chemical distributor in the United States distributing industrial chemicals to customers located throughout the Continental United States.

Distributors such as McKesson Chemical sell about \$13 billion of chemicals a year. The Chemical Group reported revenues of approximately \$505 million in fiscal 1980, or 4% of industry sales. McKesson Chemical is a direct competitor of Anchem. Certain market ratios for Foremost-McKesson were used as supporting data in our valuation of Anchem.

ANGELES CHEMICAL CO., INC.

Restatement of Earnings
Fiscal 1972-1980
(000's omitted)

	1972	1973	1974	1975	1976	1977	1978	1979	1980
Sales	\$ 501	\$1,538	\$2,440	\$3,939	\$4,999	\$6,093	\$7,011	\$8,368	\$12,006
Cost of Sales	415	1,260	1,889	3,252	4,256	5,215	5,906	7,129	10,294
Gross Profit	88	297	551	687	743	878	1,104	1,238	1,712
Operating Expenses	64	221	360	426	574	705	882	1,111	1,272
Operating Income	24	76	182	260	169	172	221	127	439
Other Income (Expense)				13	1	(7)	(2)	0	7
Net Income Before Taxes (as reported)	24	76	182	273	170	165	219	127	446
Add back (adjustments):									
Salaries (Berg & Rosenthal)		3	46	20	20	24	40	41	41
Commissions (Berg & Rosenthal)				68	71	86	85	91	86
Directors' Fees (Locke, Berg & Rosenthal)		7	7	5	9	9	9	9	9
Repairs, Landscaping, etc.				4	2	2			
Profit Sharing (Berg & Rosenthal) (15% of Salaries & Commissions)								19	19
Salary Adjustment for Locke (Salary & Profit Sharing Differential)	(28)	(12)	6	18	18	24	21	33	43
Total Adjustments	(28)	(12)	59	115	130	145	155	193	200
Net Income Before Taxes (Restated)	(4)	74	241	388	290	310	374	320	640
Provision for Income Taxes (50%)			121	194	145	155	187	160	320
Net Income After Taxes (Restated)			\$ 120	\$ 194	\$ 145	\$ 155	\$ 187	\$ 160	\$ 320
% of Sales			4.9%	4.9%	2.9%	2.5%	2.7%	1.9%	2.7%

Table I-A

BR001405

ANGELES CHEMICAL CO., INC.

John G. Locke Compensation
Actual and Constructive Analysis
Fiscal 1972-1980 (000's omitted)

Table I-B

	1972	1973	1974	1975	1976	1977	1978	1979	1980
John G. Locke Compensation (Actual)									
Salary + Bonus	\$ 7	\$ 28	\$ 50	\$ 70	\$ 78	\$ 91	\$ 96	\$ 106	\$ 129
Profit Sharing	-	-	-	-	-	-	-	-	-
Total	7	28	50	70	78	91	96	106	129
John G. Locke Compensation (Constructive)									
Salary + Bonus - General Manager	24	27	30	35	40	45	50	55	60
Salary + Bonus - President (50% premium)	12	13	15	17	20	22	25	22	30
Total	36	40	45	52	60	67	75	77	90
Profit Sharing	-	-	-	-	-	-	-	-	-
Total	36	40	45	52	60	67	75	77	90
Amounts added back (Adjustments)									
Salary + Bonus	(28)	(12)	6	18	18	24	21	28	39
Profit Sharing	-	-	-	-	-	-	-	-	-
Total	\$ (28)	\$ (12)	\$ 6	\$ 18	\$ 18	\$ 24	\$ 21	\$ 28	\$ 39

BR001406

ANGELES CHEMICAL CO., INC.

Balance Sheet
(Unaudited)
April 30, 1980

A S S E T S	
Current Assets	
Petty Cash	154
Cash in Bank	256,120
Cash in Savings	8
Accounts Receivable	\$1,814,135
Allowable for Doubtful Accounts	(23,788)
Net Receivables	1,790,346
Accounts Receivable - Stallion	13,556
Employee Advances	3,326
Inventory - Chemicals	420,101
Inventory - Drums	6,149
Inventory - Gasoline	2,195
Prepaid Property Taxes	1,960
Prepaid Insurance	34,018
Total Current Assets	\$2,527,937
Fixed Assets - At Cost	
Office Trailer	33,904
Trucks	24,285
Tanks & Plant Equipment	47,866
Furniture & Fixtures	12,451
Plant	379,242
Total Fixed Assets	397,750
Less: Accumulated Depreciation	(250,470)
Net Fixed Assets	147,280
Other Assets	
Deposits	6,105
Deposits - Drums	1,417
Total Other Assets	7,522
TOTAL ASSETS	\$2,682,759

L I A B I L I T I E S	
Current Liabilities	
Accounts Payable	\$1,127,065
Accrued Payroll	145,910
Sales Tax Payable	5,650
Income Taxes Payable	186,311
Drum Deposits	205,522
Customer Deposits	1,220
Loan Payable - Crocker	10,718
Accrued Profit Sharing	60,492
Total Current Liabilities	\$1,742,890
Long-Term Liabilities	
Capital Stock - \$10 par value, 2,500 shares authorized, 600 shares issued and outstanding	6,000
Retained Earnings - Beginning	\$ 712,259
Net Income (Loss)	221,609
Retained Earnings	933,868
Total Capital	939,868
TOTAL LIABILITIES & CAPITAL	\$2,682,759

Table II

BR001407

Alternate Valuation Approaches

In arriving at our valuation of \$2,667 per share or \$1,600,000 in the aggregate for the 600 shares of Common Stock of Angeles Chemical Co., Inc. issued and outstanding as of April 30, 1980, we used several valuation approaches. These approaches were as follows:

1. Earning Capacity (Restated) of the Company

(a) Fiscal Year Ended April 30, 1980

For the fiscal year ended April 30, 1980, Anchem reported net income of \$221,000. However, in order to arrive at a more representative earning capacity for the Company, we have restated these reported earnings by making certain adjustments which result in net income of \$320,000. Table I-A sets forth these calculations.

We have applied a 5.0 capitalization rate to the restated earnings of \$320,000 to arrive at a fair market value of \$1,600,000.

(b) Five-Year Average (1976-1980)

For the fiscal years ended April 30, 1976 to April 30, 1980, Anchem reported average net income of \$127,000. However, in order to arrive at a more representative earning capacity for the Company, we have restated these reported earnings by making certain adjustments which result in average net income of \$195,000 per year. Table I-A sets forth these calculations.

We have applied an 8.0 capitalization rate to the restated earnings average of \$195,000 per year to arrive at a fair market value of \$1,560,000.

It is our opinion that the capitalization rates (price/earnings ratios) of 5.0 and 8.0, respectively, are representative price/earnings ratios for a company such as Anchem which is engaged in the business of distributing chemical products. We "screened" certain public companies involved in the wholesale, distribution and/or chemicals distribution business to arrive at these capitalization rates.

2. Market Price as a Percentage of Book Value

As of April 30, 1980, Anchem had a book value (stockholders' equity) of approximately \$940,000. Since book value is only an accounting technique to ascribe an historical value to a company, it may/not bear any relationship to its market value (see Table II).

Our experience regarding companies such as Anchem indicates that a purchase price of 1.75 times book value has been the "norm". By applying a 1.75 times factor to the Anchem book value of \$940,000, we would arrive at a valuation of \$1,645,000.

In our research of wholesale chemical distributors, we learned that an investor group, including the management of Foremost-McKesson, Inc., made a cash offer to purchase that company for \$36 per share. The net tangible book value of Foremost-McKesson at the time of the offer was approximately \$20.30, resulting in a purchase price of 1.77 times book value. The negotiations were terminated in February 1980.

(Please note that Anchem had no intangibles as of April 30, 1980. Therefore, tangible book value would be the same as book value.)

An independent analysis of Anchem regarding the relationship of market (purchase) price to book value might be as follows:

Book value:	\$ 940,000	\$ 940,000
Add back		
Depreciation (Replacement cost)	250,000	Market price ratio of 1.75 times
Cost of Land (Purchase not necessary)	450,000	
	<hr/>	
"Constructive" Value of Assets	<u>\$1,640,000</u>	<u>\$1,645,000</u>

The foregoing is merely a verification that applying a 1.75 times factor to the book value results in a reasonable purchase price. Moreover, for the purposes of this valuation, we have valued Anchem as a going concern. Therefore, the earning capacity of the Company, rather than book value or adjusted book value, is more indicative for determining the fair market value of the Common Stock.

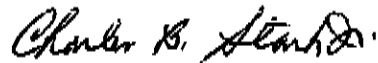
CONCLUSION

In reviewing the results for the three valuation approaches, one can see that a very close correlation (i.e., between \$1,560,000 to \$1,645,000 and \$1,600,000) resulted in our arriving at a fair market value of \$1,600,000, or an average of the three methods used. The fourth approach, actually a "check" on the third approach, the reconstruction of the April 30, 1980 balance sheet, resulted in a valuation of \$1,640,000, which was almost identical to the \$1,645,000 figure.

Therefore, it is our opinion, formed after considering the data referred to in Exhibit A, and other relevant factors, that the fair market value of 600 shares of Common Stock of Angeles Chemical Co., Inc. as of April 30, 1980, was \$2,667 per share of Common Stock, or \$1,600,000 in the aggregate.

Very truly yours,

CHARLES B. STARK, JR.
A Professional Corporation



Charles B. Stark, Jr.
President

Exhibit A

Angeles Chemical Co., Inc.
Data Reviewed in Valuation
of Common Stock as of April 30, 1980

Angeles Chemical Co., Inc. Data:

Financial Statements (1974-1980)

Prepared by Saks, Singer & Ballenger, CPAs (1974)
Archer, Bulmahn & Co., CPAs (1975-1980)

Tax Returns (1972-1980)

Prepared by Kusnitz, Saks & Singer, CPAs (1972-1974)
Archer, Bulmahn & Co., CPAs (1975-1980)

Preparation of Comparative Financial Statements (1974-1980)

Income Statement

Balance Sheet

Change in Financial Condition (Cash Flow)

Meetings on July 1 (S.F.) and July 15 (Santa Fe Springs)
with John G. Locke to discuss Company & assignment,
financial statements, projections for FYE 4/30/81, etc.

Telephone conversations with Locke on 6/23, 6/26, 7/14,
7/17 and 7/29/80

Inspection of Anchem facilities on July 15 (Polaroid
pictures) and meeting with shareholders Robert O. E.
Berg and Arnold Rosenthal

Financial Services and Industry Data

The following financial services, which include certain suppliers,
competition and/or customers, were reviewed for the purpose of
selecting the appropriate capitalization rate (P/E ratio) to the
restated net income of Anchem.

Moody's (Wholesale, Distributors and Jobbers)
Industrial
OTC Industrial

Standard & Poor's Corporation
Stock Guide as of 4/30/80
Stock Reports

Value Line

Chemical (Basic) Industry (4/25/80)
Chemical (Specialty) Industry

Walker's Manual of Western Corporations (Chemicals)

Foremost-McKesson, Inc.

(The Chemical Group - McKesson Chemical)

March 31, 1980 Annual Report & Form 10K

Various publications re the chemical/distribution industry and business outlook for the economy (the effects of recession, inflation, high fuel prices, credit controls and other external factors) including the following:

"California Regional Outlook"

Business Review, Wells Fargo Bank, March/April 1980

"The Ups and Downs in Interest Rates"

Business Review, Wells Fargo Bank, May/June 1980

"The World Economy - Storm Clouds Gathering"

Business Review, Wells Fargo Bank, July 1980

"Recession Grips Chemical Makers as Auto, Housing Orders Plummet"

The Wall Street Journal, July 1, 1980, p. 23

"U.S. Sues Chemical Firms for First Time Over Waste Storage by Dump Operators"

The Wall Street Journal, July 16, 1980, p. 10

"Recession May End by October, But Inflation Could Surge Again"

The Wall Street Journal, July 17, 1980, p. 25

"European Chemical Firms Expect Profits To Fall Sharply in 1980 Due to Recession"

The Wall Street Journal, July 24, 1980, p. 24

Exhibit B

ANGELES CHEMICAL CO., INC.

Statement of Income (Unaudited) (000s)

	Fiscal Year Ending April 30						
	1974	1975	1976	1977	1978	1979	1980
Sales	\$2,440.7	\$3,939.2	\$4,999.4	\$6,093.7	\$7,011.1	\$8,368.5	\$12,006.8
Cost of Sales	1,889.1	3,252.0	4,256.3	5,215.4	5,906.5	7,129.7	10,294.1
Gross Profit	551.6	687.2	743.0	878.3	1,104.6	1,238.7	1,712.6
Operating Expenses							
Officers Salaries	97.8				136.9	147.5	170.9
Plant Wages	27.3				55.1	97.1	124.4
Sales Wages	18.2	158.7	192.3	240.9	54.4	72.9	66.9
Office Wages	19.3				43.6	48.8	67.9
Plant Expense	5.6	3.4	4.3	9.5	15.6	18.4	19.3
Truck Expense	10.6	11.7	8.8	10.9	23.5	31.9	44.2
Auto & Travel	7.9	6.4	13.1	17.0	26.7	38.0	30.2
Salesmen Expenses		.5	2.9	5.2	2.3	1.6	.6
Freight Out	68.1	72.7	93.5	110.1	124.1	161.2	202.1
Drum Maintenance	31.9	40.1	49.2	62.8	76.5	86.3	93.8
Repairs & Maintenance	1.6				10.6	13.1	13.7
Supplies	.1					2.5	6.1
Outside Labor			.7		.1	1.4	.7
Equipment Rental	.5					.3	7.9
Rent	8.8	6.8	20.8	13.2	14.7	16.8	15.4
Office Supplies	3.0	2.4	1.4	2.9	3.8	8.6	13.7
Computer Expense						5.7	19.3
Professional Services, Legal & Acct.	1.1	1.4	3.4	3.0	5.8	3.3	9.0
Taxes & Licenses		7.3	18.6	26.5	15.1	15.1	6.3
Payroll Taxes	7.8				16.1	22.8	31.1
Business Promotion	7.2	5.8	8.4	15.7	12.8	13.5	16.5
Convention Expense	1.6			1.2			
Commissions		68.1	71.1	86.2	85.3	91.2	86.7
Directors Fees	7.2	5.2	9.0	9.0	9.0	9.0	9.0
Donations	.1	.2	.4	.07	.6	.8	.6
Insurance	8.3	12.3	20.3	20.7	41.4	47.9	58.0
Workmen's Compensation Insurance	.8				4.6	6.4	10.5
Group Insurance	1.6				5.7	8.7	9.1
Officers Life Insurance		.8	1.5	.8	.8	.8	.8
Dues & Subscriptions		.2			1.0	1.5	1.7
Utilities			.4	1.4	1.9	2.8	3.1
Telephone	4.5	4.5	7.4	8.4	9.1	13.9	12.7
Depreciation	3.8	5.8	38.9	55.1	49.1	51.9	44.2
Miscellaneous	.2	.3	.6	2.1	.3	.3	.7
Throughput Charges				1.7	3.5	4.3	1.4
Penalties					.1	1.1	
Employee Medical Benefits					4.8	7.3	1.7
Profit Sharing Expense						50.0	61.9
Bad Debts	2.0	11.0	.04		25.7		
Organization Expense	.1	.1	.1	.06			
Taxes	2.8						
Advertising				.5	.8	5.2	8.9
Total Operating Expenses	350.7	426.8	574.0	705.8	882.8	1,111.5	1,272.6
Operating Income (Loss)	200.8	260.3	169.0	172.4	221.7	127.2	439.8
Other Income							
Gain on Sale of Assets		.3					
Discounts Earned		.03	.08	.07	.1	.2	.03
Demurrage		3.6	2.9		.01		2.7
Interest Income		1.9		2.3	2.0	1.8	1.1
Rent			1.8	.9			
Miscellaneous			.9	.2	.4	2.7	8.0
Total Other Income	0	13.0	5.8	3.5	2.7	4.8	11.9
Other Expense							
Interest Expense	1.3		4.4	10.8	4.5	4.3	5.1
Less: Franchise Tax	(17.5)						
Net Income (Loss) Before Taxes	181.9	273.3	170.4	165.1	219.9	127.8	446.6
Provision for Taxes	80.7	137.9	55.5	73.2	98.6	38.7	225.0
NET INCOME (Loss)	\$ 101.2	\$ 135.4	\$ 114.8	\$ 91.9	\$ 121.2	\$ 89.1	\$ 221.6

ANGELES CHEMICAL CO., INC.

Balance Sheet
(Unaudited)

(000s)

Fiscal Year Ending April 30

	1974	1975	1976	1977	1978	1979	1980
ASSETS							
Current Assets							
Petty Cash	\$.05				\$.1	\$.1	\$.1
Cash in Bank	83.9	\$ 265.0	\$ 61.7	\$ 100.0	41.7	45.6	256.1
Cash in Savings						5.2	.0
Accounts Receivable	350.6	377.0	585.7	755.0	104.3	1,136.5	1,814.1
Less: Allowance for Doubtful Accounts	(2.5)	(7.4)	(8.3)	(8.3)	(17.5)	(22.6)	(23.7)
Net Receivables	348.1	369.6	577.4	746.7	881.6	1,113.9	1,790.3
Accounts Receivable - Stallion					12.5	3.8	13.5
Employee Advances					3.8	2.1	3.3
Inventory - Chemicals	71.9)))	272.4	340.4	420.1
Inventory - Drums	13.0	107.0)	150.4)	218.4)	12.2	11.2	6.1
Inventory - Gasoline)))	2.6	3.4	2.1
Prepaid Property Taxes					2.1	1.7	1.9
Prepaid Insurance (Expenses)			3.7*	10.9*	29.5	36.2	34.0
Deferred Charges	1.3						
Income Tax Refund			30.6				
Total Current Assets	518.6	742.8	824.0	1,076.2	1,373.4	1,564.1	2,527.9
Fixed Assets							
Office Trailer	6.6	6.6	22.4	22.4	22.4	33.9	33.9
Trucks	3.7	15.9	15.9	15.9	17.1	19.1	24.2
Tanks & Plant Equipment	2.8	8.8	10.7	18.8	40.2	47.2	47.8
Furniture & Fixtures	.8	.8	2.8	3.0	5.5	5.5	12.4
Plant			231.6	233.7	279.2	279.2	279.2
Total Fixed Assets	14.0	32.2	283.6	293.9	364.6	385.1	397.7
Less: Accumulated Depreciation	(5.2)	(11.0)	(50.0)	(105.1)	(154.2)	(206.2)	(250.4)
Net Fixed Assets	8.7	21.2	233.6	188.8	210.3	178.8	147.2
Other Assets							
Deposits	.8	.6	.8	1.8	6.1	6.1	6.1
Organization Expense	.3	.1	.06				
Deposits - Drums					.7	1.4	1.4
Total Other Assets	1.1	.8	.9	1.8	6.9	7.5	7.5
TOTAL ASSETS	\$ 528.5	\$ 764.5	\$1,058.6	\$1,266.9	\$1,590.7	\$1,750.5	\$2,682.7
LIABILITIES							
Current Liabilities							
Accounts Payable	\$ 240.6	\$ 351.7	\$ 477.5	\$ 575.9	\$ 745.1	\$ 839.5	\$1,127.0
Loan Payable	.3		24.1	24.1	24.1	24.1	10.7
Accrued Payroll Taxes	.5)			7.7	5.5	145.9
Sales (*Other) Taxes Payable	9.9	3.1)	6.6*	8.5*	2.9	3.4	5.6
Income Taxes Payable	55.1	37.8	(18.4)	(4.1)	24.3	(68.4)	186.3
Drum Deposits	43.8	64.5	88.8	108.0	130.8	172.5	205.5
Customer Deposits				1.0	.5	1.2	1.2
Accrued Expenses	6.1						
Accrued Profit Sharing						46.5	60.4
Total Current Liabilities	356.6	457.2	578.6	713.6	935.8	1,024.6	1,742.8
Long-Term Liabilities							
Loan Payable			65.7	47.1	27.5	7.6	
Capital Stock	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Retained Earnings - Beginning	64.4				500.1	623.1	712.2
Net Income (Loss)	101.2				121.2	89.1	221.6
Retained Earnings - End	165.8	301.3	408.1	500.1	621.4	712.2	933.8
Total Capital	171.8	307.3	414.1	506.1	627.4	718.2	939.8
TOTAL LIABILITIES & CAPITAL	\$ 528.5	\$ 764.5	\$1,058.6	\$1,266.9	\$1,590.7	\$1,750.5	\$2,682.7

ANGELES CHEMICAL CO., INC.

Statement of Changes in Financial Position
(Unaudited)
(000s)

	Fiscal Year Ending April 30					
	1974	1975	1976	1977	1978	1979
	n.a.					
SOURCE OF FUNDS						
Net Income		\$ 135.4	\$ 114.8	\$ 91.9	\$ 121.2	\$ 89.1
Depreciation (not using working capital)		5.7	36.9	55.1	49.1	51.9
Amortization of organization expense		.1	.1	.06		
Working capital provided from operations		141.3	153.9	147.1	170.3	141.0
Other Sources:						
Drum deposits						
Loan proceeds			75.8		.2	.07
Decrease in deposits		.1				
Sale of fixed assets		.2				
Total Source of Funds:		141.6	229.8	147.1	170.6	141.0
APPLICATION OF FUNDS						
Decrease in long-term debt			10.0	18.6	19.5	7.6
Purchase of assets		18.4	251.4	10.3	70.5	20.4
Increase in deposits			.2	.9	5.3	.6
Payment of prior year's income taxes			8.0			
Total Application of Funds:		18.4	269.7	29.9	95.5	40.9
INCREASES (DECREASES) IN WORKING CAPITAL		\$ 123.2	\$ (39.9)	\$ 117.2	\$ 75.0	\$ 100.0
CHANGES IN WORKING CAPITAL						
Cash		181.8	(204.1)	38.3	46.1	(95.1)
Accounts receivable		21.3	207.8	169.2	157.4	213.5
Employee advances					3.8	(1.7)
Inventories		22.0	43.3	67.9	69.0	67.7
Prepaid expenses		(1.3)	34.4	7.2	20.7	5.4
Accounts payable		94.9	(125.7)	(98.4)	(175.5)	(94.6)
Accrued payroll						
Payroll & sales tax payable					(2.1)	1.6
Income taxes payable		(17.3)	56.3	(14.3)	(28.4)	92.1
Drum deposits		20.7	(24.2)	(19.2)	(22.8)	(41.6)
Loan payable			(24.1)			
Accrued profit sharing						(46.5)
Customer deposits				(1.0)	.5	(.7)
Accrued insurance					6.3	
Tax refund				(30.6)		
Other taxes payable		2.5	(3.5)	(1.8)		
Notes payable		(.3)				
INCREASE (DECREASE) OF WORKING CAPITAL		\$ 123.2	\$ (39.9)	\$ 117.2	\$ 75.0	\$ 100.0

Anchorage

John Buck R/B

Ph Locke

12/20/96

1. Berg deal changed - NO ESOP buy back
Co will pay Berg \$200,000 cash
\$400,000 over time (10 yrs)
in consulting fee
for his (A+B?) stock

2. Clean-VP - Water Based Property Cleanup Threat
modified.

• Dept of Toxic Substance
recovery requirements

• Refer time when tanks have

• Lower testing
requirements
to some extent - put in new storage tanks

• Could reduce cost from \$600,000 to \$300,000

• Has contacted UPRR about chlorine
substance along R.R. UPRR help.

3) Bureau Prob-VP - Could do \$12m F1997
from December for 1/2 year. Orchard Supply Hardware
through Coast Bay Chemical

4 - Just need ESOP FNU for 4/30/98 no
contribution

Sansome Street Appraisers, Inc.

Mendham, New Jersey

*114 Sansome Street, Suite 808
San Francisco, California 94104-3818
(415) 362-9900
Fax (415) 362-6492*

November 22, 1996

Mr. Ken LaConde --

SCS Engineers

3711 Long Beach Boulevard, 9th Floor
Long Beach, California 90807

1-562-426-9544

Re: Angeles Chemical ESOP Valuation as of April 30, 1996

Dear Ken:

I am now undertaking the above ESOP valuation for Anchem which John Locke is anxious to get completed by early December.

Enclosed is a copy of my commentary from the April 30, 1995 valuation report on the Company's environmental circumstances. Would you please update this section and phone or FAX your comments.

Best wishes and thanks.

Sincerely,

Eric M. Bramstedt

EMB:ew
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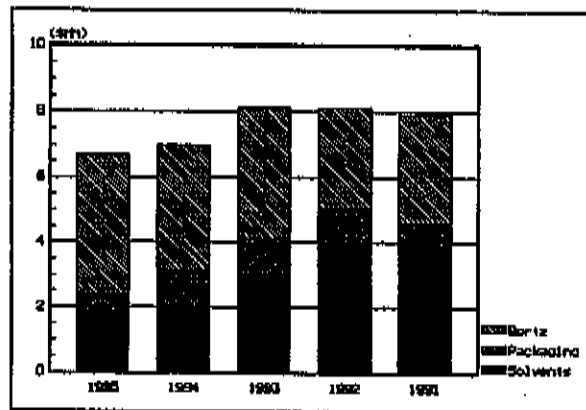
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III. THE COMPANY

History

Angeles Chemical is a resale/distributor of liquid industrial and consumer product chemicals used in coating and other processes. In fiscal 1995, sales of solvents were \$1.85 million, packaging \$5.55 million and Bortz — \$4.3 million. 5.65 1.23

Anchem
Sales Profile
F1995-1991



Note: As of January 1, 1995, Bortz and Packaging were combined, which distorts F1995 comparisons with earlier years.

As illustrated in the above graph, there continues to be a relative and absolute decline in lower gross margin commercial solvent sales since fiscal 1990, which sales mix change contributed to a Company gross margin gain to 30-32% in fiscal 1993-1995 from 23-25% for several prior years. Specifically, since fiscal 1991 solvent sales have fallen from \$3.9 million to about \$1.8 million, while packaging and Bortz sales have gained \$1.0 million to \$4.8 million (a slight decline from fiscal 1994). Bortz is a packager of paint thinner and finishes for the consumer/retail market and its gross margins are over fifty percent better than those for solvents. Anchem's consumer/industrial sales mix is now 70/30, up from 50/50 in earlier periods.

Since the peak in 1982 at \$16.8 million, Company dollar sales have fallen 61% to \$6.6 million in fiscal 1995. Physical volume has declined even more because of periodic price increases. The 15-year sales drop reflects the loss of major accounts as many commercial customers moved out of Southern California or changed their supplier source away from Southern California. The ever-increasing environmental regulations in Greater Los Angeles have created an expensive and difficult operating circumstance for chemical processors and distributors and their customers. The 1990-93 recession in the region was also a factor. Management continues to emphasize less environmentally sensitive consumer products.

70 400

In 1995, Anchem had about 419 active industrial customers and 362 in the packaging division, both down from earlier years but about unchanged from fiscal 1994. Most are located in Southern California. Ellis Paint Company, owned by Robert Berg, an Anchem founder and shareholder, is an important customer.

Anchem's basic raw materials are these organic chemicals — propylene, glycol, toluene, ethylene glycol, acetone, mineral spirits, 1-1-1-trichloroethane, and alcohols. These are forms of petroleum distillates which are purchased from Shell, Union Carbide, Exxon, Celanese and Vulkan Materials. The Company has on-site 32 underground storage tanks of 5,000 to 20,000 gallons capacity each and four above-ground tanks (old railroad tank cars): one of 10,000 gallons capacity and three of 6,000 gallons each. Some of the storage tanks are not now used given the decline in sales and volume since the 1980s.

Anchem operates out of administrative offices and packaging and storage facilities on a 1.8 acre site in Santa Fe Springs, California. The land, structures and improvements are Company-owned. On January 1, 1994, title for the 1.8 acre land parcel was transferred from a partnership of the three founding and two current shareholders to the Company in consideration of three equal 14-year \$216,000 notes (aggregating \$648,000) paying 7.5% annual interest. The total yearly principal and interest payments of \$72,000 equal the former rent paid to the partnership and the transaction was therefore cash flow neutral to Anchem (on a pretax basis).

The land transfer price was determined by the three parties on other than an arm's-length "third party" negotiated basis and which basis was not specifically disclosed to the appraiser. Given the property environmental clean-up yet to be completed and the land's location next to a Superfund site, the appraiser believes the independently determined fair market value (FMV) of the real property may be below the \$648,000 capitalized on Anchem's financial statements as of April 30, 1995. Therefore, the appraiser recommends that the ESOP Trustee obtain a real property FMV from a qualified independent commercial real estate appraiser for reference in preparing future ESOP valuations.

decorating containers
In addition to its Santa Fe Springs facility, Anchem rents a warehouse in Santa Fe Springs for ~~decorating~~ and uses a ~~Los Angeles public warehouse for distribution~~ — replacing a terminated warehouse lease with Robert Berg. *Moved to rented warehouse in El Monte starting 11/95*

As of April 1995, Anchem had 28 full-time employees versus 21 a year earlier (plus temporary labor). *OK*

Samson Chemical Co. Joint Venture

On March 31, 1991, Anchem entered into a five and a half year agreement with Saramco, Inc., dba Samson Chemical Co., to operate on a joint venture basis for five years beginning October 1, 1991. If the joint venture is still effective on September 30, 1996, Samson will cease operations and transfer to Anchem its distributor relationships and its business and customer accounts. In the interim, both companies maintain separate operations (at Santa Fe Springs) and customers. Through this affiliation, Anchem was able to broaden its product line to include epoxy products.

2.9

9.8

On a combined basis, Anchem/Samson sales in fiscal 1995 were ~~\$10.1~~ million, indicating Samson's sales are running at ~~\$3.4~~ million annually. Samson's income (as defined by the agreement) is shared equally by the partners. In fiscal 1995, Anchem's income share was booked at \$120,000 versus \$127,000 in fiscal 1994.

90K

For further details on this joint venture, see the November 1991 valuation report.

Anchem also has a distribution agreement with East Bay Oil, a Northern California chemical distributor, and a Phoenix warehouse to further broaden its customer, business and geographic base and replace lost sales in the Los Angeles Basin.

Management and Ownership

The Company senior management as of April 1995 consisted of:

<u>Officer</u>	<u>Title</u>	<u>Joined Co.</u>	<u>Age</u>
John Locke	President, CEO	1971	68
Robert Berg	Secretary/Treasurer	1971	63
Robert Custer	President - Samson Chemical	1990	62
James Locke	Operations Manager	1985	31
Tim Mahoney	Controller	1990	38

Robert Custer is a chemical engineer with experience in chemical distribution and as such provides important management and sales support for John Locke. Mr. Custer is concentrating on the industrial market and Mr. Locke on retail and proprietary products. John Locke has indicated that he may retire as an active officer in September 1996 when he turns 70 but plans to continue as a consultant.

The Board of Directors consists of John Locke, Robert Berg, and Arnold Rosenthal, all founders. As of late 1994, Mr. Berg began taking a more active management role at Anchem.

As of April 30, 1995 there were 40,000 Class A and 14,065 Class B common shares outstanding (excluding treasury stock) as follows:

<u>Holder</u>	<u>Number of Shares</u>	
John Locke	20,000 A shares	37%
Robert Berg	20,000 A shares	37
ESOP	14,065 B shares	26
Total	54,065 A&B shares	100%

Class A common stock is voting and Class B is nonvoting. Otherwise, the two classes are equal. A valuation discount for the nonvoting Class B stock has not been taken by the prior appraisers or by Bramstedt & Associates since the stock is in an ESOP where voting rights are not passed through in any event except for major corporate issues.

Environmental Issues Update

The valuation studies for the fiscal years ended September 1989 through 1992 discuss in detail the regional agencies which regulate Anchem's operating and environmental activities. According to management and SCS Engineers, its environmental consultant, as of April 30, 1995 the Company had no environmental agency violations or citations.

However, beginning in fiscal 1993 and continuing into fiscal 1996, Anchem and SCS are working with the California EPA on its on-site program to investigate for possible groundwater contamination relating to an adjacent California Super Fund site (McKesson property). In this connection, Anchem incurred state fees and incremental services from SCS.

The prior reports discuss testing and related work for soil and groundwater contamination continually undertaken by the Company and SCS since 1989 which so far have found soil and ground water problems which have not been fully characterized. No major remedial work has yet been undertaken. By 1998, Anchem could be required to start replacing its underground tanks on a progressive basis. No specific funding for this project has yet been accrued by Anchem.

By its business nature, Anchem continues to incur legal, testing, remedial and consultant costs. The appraiser does not believe the Company has been able to pass these costs, which have become material, through to its customers, thereby impacting profit margins. SCS consulting costs have fluctuated but in fiscal 1994-96 are averaging \$10,000 a month. SCS worked with management and counsel on the S&J suit.

As of January 1995, Anchem is participating, as required by its major supplier contracts, in a comprehensive storage, operational, health, safety, environmental and emergency response program called "Responsible Distribution Process" created by the National Association of Chemical Distributors, who will sponsor on-site audits. A full-time compliance and safety officer reports to Operations Manager Jim Locke. Employee training for RDP is required. There have been incremental costs for implementing the program, but Anchem hopes to realize some economies and efficiencies from it.

Ongoing environmental encumbrances on Anchem's business and profits have been reflected in the valuation conclusions since fiscal 1989.

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Ongoing environmental encumbrances on Anchem's business and profits have been reflected in the valuation conclusions since fiscal 1989.

Eric,

This looks OK to me. Note the one change.
Hope everything is going OK for you. Have
a happy holiday.

Fall '98

Ken Lee

B R A M S T E D T

and Associates Incorporated

Financial Consulting

Business Valuations

Financial Analysis

**Evaluation
of the
Common Stock
of
ANGELES CHEMICAL CO.
as of
April 30, 1995**

**Prepared by:
Bramstedt & Associates, Inc.
January 1996**

2402 Vista Del Mar Lane Tiburon, CA 94920-1208 Tel 415-435-9438 Fax 415-435-9438

114 Sansome St., Suite 808 San Francisco, CA 94104-3818 Tel 415-362-9900 Fax 415-362-6492

BR001424

BRAMSTEDT

and Associates Incorporated

Financial Consulting

Business Valuations

Financial Analysis

January 9, 1996

CONFIDENTIAL

Employee Stock Ownership Plan
Administrative Committee
Angeles Chemical Co.
P.O. Box 2163
Santa Fe Springs, California 90670

Attn: Mr. John Locke

Gentlemen:

You have requested we establish the fair market value of the common stock of Angeles Chemical Co. for Employee Stock Ownership Trust (ESOT) purposes as of April 30, 1995.

Our evaluation places a fair market value of \$1,187,463 on the common stock of Angeles Chemical Co. as of April 30, 1995. Based on 54,065 A and B common shares outstanding, the value per share is \$22.00. This evaluation is derived from a modified adjusted book value approach and is discounted for restricted marketability. The valuation conclusion was transmitted to John Locke on January 9, 1996.

The valuation report was prepared by Bramstedt & Associates, Inc. as a subcontractor to Sansome Street Appraisers, Inc.

Earnings prospects can change, as can the general economic climate. Federal regulations require that the Company's common stock be reevaluated at least annually for ESOT purposes.

Very truly yours,

BRAMSTEDT & ASSOCIATES, INC.



Eric M. Bramstedt, CFA
President

EMB:ew
enclosure

Table of Contents

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Appendix I	Financial statements as of April 30, 1995	
Appendix II	Qualifications of Bramstedt & Associates, Inc.	

I. INTRODUCTION AND SUMMARY

The Administrative Committee of the Angeles Chemical Company, Inc. Employee Stock Ownership Plan has requested that we evaluate the common stock of Angeles Chemical Company, Inc. ("Angeles Chemical," "Anchem" or the "Company") as of plan year end April 30, 1995 in order to determine the minority interest fair market value of the Company's common stock for annual Employee Stock Ownership Plan (ESOP) reporting purposes and for use in common stock transactions involving the Company's ESOP.

At April 30, 1995, Anchem's ESOP owned 14,065 B common shares of Company common stock (26% of the A and B common stock). During fiscal 1995, Anchem made no ESOP contribution.

Company Overview

Anchem is a closely held corporation with no present market for its common stock. It is a regional Southern California liquid chemical distributor whose products are used in industrial, commercial and retail/consumer applications. Sales in fiscal 1995 dropped 5.2% to \$6.6 million from \$7 million in fiscal 1994 and after stabilizing at \$8 million for fiscal 1990-1993. Sales in the mid-1980s were \$12-\$14 million. The Company recorded net losses of \$289,000 in fiscal 1995 and \$54,000 in fiscal 1994. These losses were primarily attributable to unusual contamination clean-up costs in fiscal 1995 and heavy legal costs on Company-initiated litigation in fiscal 1994. This litigation resulted in a \$527,000 jury award to Anchem, which award is being appealed by the defendant (see page 4).

Soil and underground water contamination conditions at Anchem's plant are continuously being monitored and tested, which requires significant on-going testing and other expenses. As of April 30, 1995 no major new environmental liability or remedial responsibility had been revealed, although the Company will have to replace its underground storage tanks (USTs) before the end of the decade.

Like all chemical processors, Anchem and its customers are facing substantial environmental regulations and enforcement in the Los Angeles Basin. These have seriously impacted Anchem's industrial business base and combined with the 1990-1993 California recession caused Anchem's sales to drop 20% since 1990 and the incurrence of losses in three of the past five years, although fiscal 1995's loss was the only significant one.

Prior to fiscal 1994, Anchem had a debt-free balance sheet whose assets primarily comprised receivables and inventory, with some cash equivalents. Given these operating and financial circumstances, the ESOP valuation for several years has been prepared on an asset rather than income basis. An adjusted book value approach was employed at April 30, 1994 and is again being employed at April 30, 1995. The Company's balance sheet has reflected a large (shareholder) long-term note since January 1, 1994.

Valuation Criteria

We have valued the common stock of Anchem based upon: (1) the pertinent regulations and principles promulgated by the Internal Revenue Service and the Department of Labor; (2) an analysis of the Company's financial statements, forecasts and other information; (3) discussions with management; (4) analysis of the relevant industry conditions; and other factors.

The basic rules for valuation are laid down in Revenue Ruling 59-60 issued by the Internal Revenue Service in March 1959 (as modified by Revenue Ruling 65-193). The rulings define "fair market value" as follows:

"...the price at which the property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts. Court decisions frequently state, in addition, that the hypothetical buyer and seller are assumed to be able, as well as willing, to trade and be well informed about the property and concerning the market for such property."

This definition is widely accepted and used in courts of law and in tax literature and is the most widely used approach in valuing closely held securities. It is the basic definition upon which we have relied in determining the fair market value of the Company's stock. Revenue Ruling 59-60 was issued for estate valuation purposes, but is not limited to that use. It serves as a guide in virtually all valuation situations requiring the determination of fair market value.

In 1988, the Department of Labor (DOL) issued proposed regulations on "Adequate Consideration" which addressed valuation issues affecting Employee Stock Ownership Plans. These proposed regulations endorsed Revenue Ruling 59-60 and set forth other factors to be considered in valuing securities for ESOP purposes. In 1995, the DOL withdrew the proposed regulations; however, ESOP practitioners still consider these proposed regulations in conducting ESOP security valuations.

Consequently, this report has considered the following factors:

- The history of the Company and the nature of the business
- General economic outlook and the outlook of the particular industry
- Book value of the stock and the financial condition of the business
- Earnings capacity of the Company
- Dividend paying capacity
- Whether the enterprise has goodwill or other intangible value
- Sales of stock and the size of the block to be valued
- Market prices of stock of other comparable companies traded on exchanges

These eight factors are fundamental to any appraisal of closely held securities. They are not, however, all-inclusive. Other factors relevant to the subject valuation were also considered, such as the ESOP repurchase liability and its effect on the application of a marketability discount.

Valuation History and Conclusion

This valuation represents an update of prior appraisals of Anchem's common stock for ESOP purposes prepared by this appraiser as a subcontractor to Sansome Street Appraisers, Inc., a wholly owned subsidiary of Menke & Associates, Inc. The following table summarizes our fair market value findings for the past five fiscal years:

Angeles Chemical Co.
Summary of Fair Market Value Determinations
F1995-1991

<u>Date</u>	<u>Aggregate ESOP Value</u>	<u>Per Share</u>	<u>Percent of</u>			<u>Times</u>	
			<u>Sales</u>	<u>Assets</u>	<u>Equity</u>	<u>Gross Profit</u>	<u>Working Capital</u>
4/30/95	\$1,187,463	\$22.00	18.0%	37.3%	81%	0.60X	0.99X
4/30/94	1,421,555	26.30	20.4	41.2	81	0.64	0.93
4/30/93	1,650,000	30.50	20.4	52.1	92	0.68	1.06
4/30/92	1,621,000	30.00	20.1	51.3	92	0.83	1.10
4/30/91	1,653,300	30.60	20.8	61.2	94	0.83	1.10

Based upon our analysis of Angeles Chemical Co., Inc., our experience in the valuation of closely held securities, and the consideration of the factors set forth in this report, we are of the opinion that the aggregate minority interest fair market value of the common stock of Anchem for Employee Stock Ownership Plan purposes as of plan year end April 30, 1995 was \$1,187,463, or \$22.00 per share based upon 54,065 shares of A and B common stock outstanding.

This determination of fair market value is based on an adjusted book value approach and is discounted for restricted marketability.

The appraiser understands that this valuation conclusion will be used primarily for Plan administration purposes at April 30, 1995. Before future ESOP valuations are conducted, where there are to be significant ESOP/Company stock transactions the appraiser recommends the Trustee obtain an independently derived fair market valuation from a qualified commercial real estate appraiser of the Company's real property acquired in January 1994 from its founder/shareholders.

The property ownership in equal interests was transferred from the three principals to the Company for \$648,000, a price negotiated by the principals and which may not represent arm's-length fair market value. The property's marketability to a third-party buyer may be impaired by its environmental problems. Concurrently, the face amount of the three (original) \$216,000 7-1/2% 14-year notes may also be above their third-party fair market value, although no effort has been made by the appraiser to determine their fair market value.

Spencer & Jones (S&J) Litigation Status

In August 1994 a Los Angeles Superior Court jury awarded Anchem \$527,000 for damages suffered by the Company as a result of alleged improper contractor installation of underground storage tanks and piping in the early 1980s which caused soil contamination. The defendant, Spencer & Jones (S&J), has posted bond and appealed the award. If the award is sustained, the economic and financial effect on Anchem could be materially positive. The S&J suit was originally filed in early 1993.

As of fall 1995, the Appeals Court Justices are not expected to review and act on the S&J appeal until sometime between spring and late 1996 according to counsel. The Appeals Courts legal options are (1) to affirm the trial court's verdict and award or (2) to remand the case to lower court for retrial. According to Anchem management and the attorney, an out-of-court settlement is unlikely. S&J has posted a \$527,000 bond with interest, the total value of which is approaching \$600,000 at report date.

At April 30, 1994, the appraiser did not consider this potential monetary award as a "contingent" asset for valuation purposes. Its treatment at April 30, 1995 is discussed in the "Valuation" section of this report.

II. SCOPE AND LIMITATIONS OF THE VALUATION REPORT

Limitations

The purpose of this valuation report is to determine the fair market value of the common stock of Anchem on a minority interest basis as of plan year end April 30, 1995 for annual ESOP reporting purposes and for use in common stock transactions involving the Company's ESOP. This appraisal is valid only for the appraisal dates specified herein and valid only for the appraisal purpose specified herein. No other purpose is intended or should be inferred.

In preparing this valuation, Bramstedt & Associates has relied upon and assumed the accuracy and completeness of all financial, statistical and other information provided by Anchem. Bramstedt & Associates has also considered information based upon other publicly available sources which it believes to be reliable; however, Bramstedt & Associates and the appraiser do not guarantee the accuracy and completeness of such information and have not independently verified the financial statements and other information. The appraiser is not aware of material omissions or understatements from management and other sources which would affect values contained in this report. The fair market value arrived at herein represents the appraiser's considered opinion based upon the facts and information presented to him. No legal opinion is expressed by this report and its accompanying documents.

This valuation report does not specifically address the financial impact, if any, of matters requiring special expertise or knowledge not generally held by business appraisers. As such, this report does not address in significant detail issues involving toxic contamination, hazardous waste, engineering and structural soundness, litigation and legal concerns, etc.

In preparing this valuation report, a variety of data and assumptions has been used. The financial information on past performance has been gathered from Anchem's financial statements for the past five fiscal years. We have included in Appendix I a copy of Anchem's most recent financial statements, prepared as a compilation, as amended, by Singer, Traynor & Co., CPAs, for the fiscal year ended April 30, 1995.

Projections of expected future financial performance through fiscal 1996 have been provided to us by the management of Anchem. Interviews have been held with members of management and with certain outside sources regarding certain Company events.

Neither the appraiser nor Bramstedt & Associates, Inc. has any present or contemplated future financial interest in Anchem, and the fee for this valuation is not contingent upon the fair market value determined. The qualifications of Bramstedt & Associates, Inc. to undertake this valuation are set forth in Appendix II.

The analysis, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.

Scope

The marketability of the subject company's stock, the control position of majority shareholders, and the relationship of these factors to the block of stock being valued can affect the concluded value. In valuing a block of stock, IRS Revenue Rulings and court decisions provide a basis for concluding that a discount is valid for an absence of marketability if the value base does not already reflect the lack of marketability. Further, a minority stock interest in a closed corporation is usually worth much less than a proportionate share of the entity value of all the corporate stock. Discounts can range from 10% to 30% or more. When minority interest and lack of marketability discounts are both applied, they are sequential.

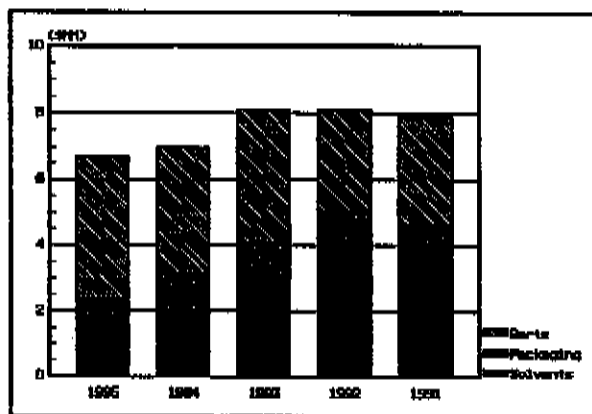
This valuation is specifically intended to establish a per-share fair market value for shares to be issued or sold to the Company's Employee Stock Ownership Trust (ESOT). This report does not address the value of the Company as an entity. The value of the Company as a whole, with the attendant rights to control the direction and growth of the Company, to influence or control compensation and dividends, to change management, to acquire other companies and/or business operations, or to sell or merge the Company, may be greater than the total value implied by this valuation. On the other hand, the value of minority interest shares held outside of the ESOT would probably be less than the value determined in this report. An ESOP with a "put" option obligating the Company to repurchase the shares held by participants provides a valid market for such stock. Minority interest shares held outside of the ESOT would by necessity be discounted for their inherent lack of marketability.

III. THE COMPANY

History

Angeles Chemical is a resale/distributor of liquid industrial and consumer product chemicals used in coating and other processes. In fiscal 1995, sales of solvents were \$1.83 million, packaging — \$.55 million and Bortz — \$4.3 million.

**Anchem
Sales Profile
F1995-1991**



Note: As of January 1, 1995, Bortz and Packaging were combined, which distorts F1995 comparisons with earlier years.

As illustrated in the above graph, there continues to be a relative and absolute decline in lower gross margin commercial solvent sales since fiscal 1990, which sales mix change contributed to a Company gross margin gain to 30-32% in fiscal 1993-1995 from 23-25% for several prior years. Specifically, since fiscal 1991 solvent sales have fallen from \$3.9 million to about \$1.8 million, while packaging and Bortz sales have gained \$1.0 million to \$4.8 million (a slight decline from fiscal 1994). Bortz is a packager of paint thinner and finishes for the consumer/retail market and its gross margins are over fifty percent better than those for solvents. Anchem's consumer/industrial sales mix is now 70/30, up from 50/50 in earlier periods.

Since the peak in 1982 at \$16.8 million, Company dollar sales have fallen 61% to \$6.6 million in fiscal 1995. Physical volume has declined even more because of periodic price increases. The 15-year sales drop reflects the loss of major accounts as many commercial customers moved out of Southern California or changed their supplier source away from Southern California. The ever-increasing environmental regulations in Greater Los Angeles have created an expensive and difficult operating circumstance for chemical processors and distributors and their customers. The 1990-93 recession in the region was also a factor. Management continues to emphasize less environmentally sensitive consumer products.

In 1995, Anchem had about 119 active industrial customers and 362 in the packaging division, both down from earlier years but about unchanged from fiscal 1994. Most are located in Southern California. Ellis Paint Company, owned by Robert Berg, an Anchem founder and shareholder, is an important customer.

Anchem's basic raw materials are these organic chemicals — propylene, glycol, toluene, ethylene glycol, acetone, mineral spirits, 1-1-1 trichloroethane, and alcohols. These are forms of petroleum distillates which are purchased from Shell, Union Carbide, Exxon, Celanese and Vulkan Materials. The Company has on-site 32 underground storage tanks of 5,000 to 20,000 gallons capacity each and four above-ground tanks (old railroad tank cars): one of 10,000 gallons capacity and three of 6,000 gallons each. Some of the storage tanks are not now used given the decline in sales and volume since the 1980s.

Anchem operates out of administrative offices and packaging and storage facilities on a 1.8 acre site in Santa Fe Springs, California. The land, structures and improvements are Company-owned. On January 1, 1994, title for the 1.8 acre land parcel was transferred from a partnership of the three founding and two current shareholders to the Company in consideration of three equal 14-year \$216,000 notes (aggregating \$648,000) paying 7.5% annual interest. The total yearly principal and interest payments of \$72,000 equal the former rent paid to the partnership and the transaction was therefore cash flow neutral to Anchem (on a pretax basis).

The land transfer price was determined by the three parties on other than an arm's-length "third party" negotiated basis and which basis was not specifically disclosed to the appraiser. Given the property environmental clean-up yet to be completed and the land's location next to a Superfund site, the appraiser believes the independently determined fair market value (FMV) of the real property may be below the \$648,000 capitalized on Anchem's financial statements as of April 30, 1995. Therefore, the appraiser recommends that the ESOP Trustee obtain a real property FMV from a qualified independent commercial real estate appraiser for reference in preparing future ESOP valuations.

In addition to its Santa Fe Springs facility, Anchem rents a warehouse in Santa Fe Springs for de-crating, and uses a Los Angeles public warehouse for distribution — replacing a terminated warehouse lease with Robert Berg.

As of April 1995, Anchem had 28 full-time employees versus 21 a year earlier (plus temporary labor).

Samson Chemical Co. Joint Venture

On March 31, 1991, Anchem entered into a five and a half year agreement with Saramco, Inc., dba Samson Chemical Co., to operate on a joint venture basis for five years beginning October 1, 1991. If the joint venture is still effective on September 30, 1996, Samson will cease operations and transfer to Anchem its distributor relationships and its business and customer accounts. In the interim, both companies maintain separate operations (at Santa Fe Springs) and customers. Through this affiliation, Anchem was able to broaden its product line to include epoxy products.

On a combined basis, Anchem/Samson sales in fiscal 1995 were \$10.1 million, indicating Samson's sales are running at \$3.4 million annually. Samson's income (as defined by the agreement) is shared equally by the partners. In fiscal 1995, Anchem's income share was booked at \$120,000 versus \$127,000 in fiscal 1994.

For further details on this joint venture, see the November 1991 valuation report.

Anchem also has a distribution agreement with East Bay Oil, a Northern California chemical distributor, and a Phoenix warehouse to further broaden its customer, business and geographic base and replace lost sales in the Los Angeles Basin.

Management and Ownership

The Company senior management as of April 1995 consisted of:

<u>Officer</u>	<u>Title</u>	<u>Joined Co.</u>	<u>Age</u>
John Locke	President, CEO	1971	68
Robert Berg	Secretary/Treasurer	1971	63
Robert Custer	President - Samson Chemical	1990	62
James Locke	Operations Manager	1985	31
Tim Mahoney	Controller	1990	38

Robert Custer is a chemical engineer with experience in chemical distribution and as such provides important management and sales support for John Locke. Mr. Custer is concentrating on the industrial market and Mr. Locke on retail and proprietary products. John Locke has indicated that he may retire as an active officer in September 1996 when he turns 70 but plans to continue as a consultant.

The Board of Directors consists of John Locke, Robert Berg, and Arnold Rosenthal, all founders. As of late 1994, Mr. Berg began taking a more active management role at Anchem.

As of April 30, 1995 there were 40,000 Class A and 14,065 Class B common shares outstanding (excluding treasury stock) as follows:

<u>Holder</u>	<u>Number of Shares</u>	
John Locke	20,000 A shares	37%
Robert Berg	20,000 A shares	37
ESOP	14,065 B shares	26
Total	54,065 A&B shares	100%

Class A common stock is voting and Class B is nonvoting. Otherwise, the two classes are equal. A valuation discount for the nonvoting Class B stock has not been taken by the prior appraisers or by Bramstedt & Associates since the stock is in an ESOP where voting rights are not passed through in any event except for major corporate issues.

Environmental Issues Update

The valuation studies for the fiscal years ended September 1989 through 1992 discuss in detail the regional agencies which regulate Anchem's operating and environmental activities. According to management and SCS Engineers, its environmental consultant, as of April 30, 1995 the Company had no environmental agency violations or citations.

However, beginning in fiscal 1993 and continuing into fiscal 1996, Anchem and SCS are working with the California EPA on its on-site program to investigate for possible groundwater contamination relating to an adjacent California Super Fund site (McKesson property). In this connection, Anchem incurred state fees and incremental services from SCS.

The prior reports discuss testing and related work for soil and groundwater contamination continually undertaken by the Company and SCS since 1989 which so far have found soil and ground water problems which have not been fully characterized. No major remedial work has yet been undertaken. By 1998, Anchem could be required to start replacing its underground tanks on a progressive basis. No specific funding for this project has yet been accrued by Anchem.

By its business nature, Anchem continues to incur legal, testing, remedial and consultant costs. The appraiser does not believe the Company has been able to pass these costs, which have become material, through to its customers, thereby impacting profit margins. SCS consulting costs have fluctuated but in fiscal 1994-96 are averaging \$10,000 a month. SCS worked with management and counsel on the S&J suit.

As of January 1995, Anchem is participating, as required by its major supplier contracts, in a comprehensive storage, operational, health, safety, environmental and emergency response program called "Responsible Distribution Process" created by the National Association of Chemical Distributors, who will sponsor on-site audits. A full-time compliance and safety officer reports to Operations Manager Jim Locke. Employee training for RDP is required. There have been incremental costs for implementing the program, but Anchem hopes to realize some economies and efficiencies from it.

Ongoing environmental encumbrances on Anchem's business and profits have been reflected in the valuation conclusions since fiscal 1989.

The Economy

The following analysis of the U.S. economy for the first quarter of 1995 is based upon a review of current economic statistics, articles in the financial press and economic reviews found in current business periodicals as compiled by Mercer Capital. The purpose of the review is to provide a representative, "consensus" view of the current condition of the national economy and its outlook.

General Economic Overview. Real Gross Domestic Product ("GDP"), the output of goods and services produced by labor and property located in the United States, increased at an annualized rate of 2.8%, or about \$38 billion, in the first quarter of 1995 according to estimates released

by the Bureau of Economic Analysis. In the fourth quarter of 1994, revised real GDP increased 5.1%, or about \$69 billion.

The economy has slowed on the heels of Federal Reserve ("Fed") actions that increased interest rates for the seventh time over the last twelve month period. The reduction of growth represented by the first quarter GDP indicates that the Fed may have succeeded in engineering a soft landing for the economy whereby sustainable growth and moderate inflation prevail.

The index of leading economic indicators, the government's primary forecasting gauge, registered its second consecutive monthly fall in March. So far this year, the index has fallen 0.2% and 0.5% in February and March, respectively, marking the first back-to-back fall in almost three years. The index attempts to gauge economic activity six to nine months in advance. Three straight moves in the same direction are said to indicate the general direction of the economy. Despite the unexpected severity of the March decline, most economists view the current economic situation as having stabilized at a generally desirable rate of growth.

The first quarter of 1995 saw heavy activity by a newly elected Congress to follow through on campaign initiatives of attacking the Federal budget deficit, reforming governmental aid programs and studying tax relief alternatives. Abroad, the dollar's value plunged 20% against the Japanese yen (to all-time lows) and over 10% against the German mark, which prompted increased export activity by U.S. companies, offering temporary relief to otherwise record-breaking trade deficit levels. Despite somewhat diverging signals from the economy, consensus estimates continue to place 1995 growth in the 2.5%-3% range with inflation just above 3.0%.

Consumer Spending and Inflation. The seasonally adjusted annualized rate of inflation for the first quarter of 1995 was 3.2%. This represents an increase from the 2.7% level for 1993 and 1994. There were mixed signals concerning the pattern of near-term inflation. Among factors conducive to moderate inflation were increasing unemployment, reduced manufacturing capacity utilization and steady-to-falling producer prices for consumer and capital goods. Among factors indicating higher inflationary pressure were low values for the U.S. currency against the yen and mark and high core inflation (that excluding food and energy segments).

The Stock and Bond Markets. The stock and bond markets started slowly in anticipation of reports on fourth quarter growth and inflation. After Fed action on rates in February, the stock market began a rally that sent the Dow Jones Industrial Average to all-time highs, braking the 4000 and 4100 barriers for the first time. Most indices posted 8%-9% gains for the quarter. The bond markets also rallied on sliding treasury yields which sent bond prices to six-month lows.

Interest Rates. The Federal Reserve raised the discount rate by 0.5% on February 1st to 5.25%. This was the seventh increase in the last 12 months. The 30-year Treasury slipped to 7.45% by the end of the quarter, down 0.63% from last November's 4-year high.

Construction, Housing and Real Estate. In March, single family housing fell for the third consecutive month to an annualized rate of 1.2 million homes. Higher mortgage rates are blamed for the decrease. Sales of new homes made a modest rebound in March after February sales plunged 12%. The average 30-year fixed rate mortgage was 8.45% in March.

Employment. As expected, the unemployment rate increased to 5.5% in March. January unemployment had surged to 5.7% before falling to 5.4% in February. The annualized rate of new job creation slowed considerably during the first quarter. Through March, an average of 203,000 new jobs per month were created compared to 1994's record level of 300,000 per month. Many analysts see this as a major indicator of slowing in the economy.

Summary and Outlook. Economic growth, as measured by GDP, ran an annualized rate of 2.8% for the first quarter of 1995. The significant reduction from fourth quarter 1994 GDP of 5.1% reflects aggressive action by the Fed to control growth and contain inflation. Inflation increased moderately to 3.2% and is believed to be under control. Most economists predict sustainable growth in GDP of 2.5%-3.0% and inflation between 3.0%-3.5% for the balance of 1995.

California Economy. As of summer 1995, California was continuing to recover from its most serious recession since the Great Depression, and the improvement was beginning to match that for the rest of the U.S. Severe cutbacks in defense and aerospace spending, military base closures, out-of-state relocation of manufacturers and softness in the financial services, real estate and other sectors has caused the state's unemployment rate to run 1.5 to 2 points above the national rate. California employment in 1995 improved, however, with a pick-up in entertainment, biotech, electronics and some service sectors. Southern California was more severely impacted by the recession than the rest of the state. For 1996 economists are forecasting that California's economic experience may exceed that of the U.S. Residential construction in 1995 remained substantially below the boom period of the mid- to late 1980s but some rebound is expected in 1996.

Financial Analysis and Review

Anchem has provided Bramstedt & Associates with financial statements for the fiscal years 1991-1995. These financial statements have been thoroughly examined and discussed with management. A copy of the Company's financial statement for the fiscal year ended April 30, 1995, as amended, and prepared as a compilation (without footnotes) by Singer, Traynor & Co., CPAs, is attached as Appendix I.

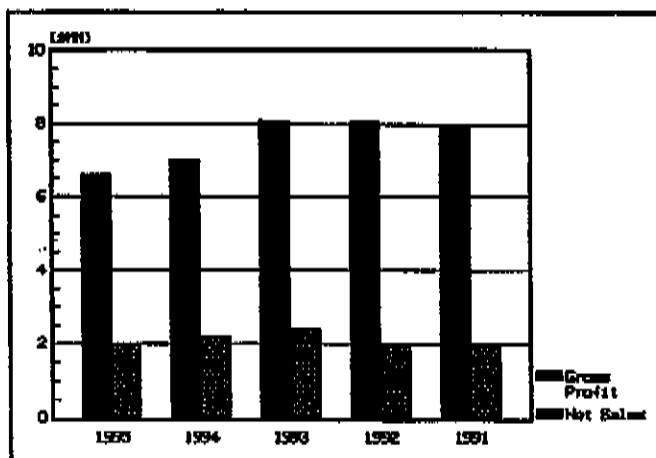
The results of our review and analysis of Anchem's financials are contained in the exhibits outlined below:

Exhibit A	Comparative Income Statement, FY1991-1995
Exhibit B	Comparative Balance Sheets, FY1991-1995
Exhibit C	Selected Financial Ratios, FY1993-1995

These exhibits are presented at the end of this section of the report. The following comments and observations are based upon Bramstedt & Associates' review and analysis of the Company's financial statements. Saramco's operations are not consolidated but are incorporated in a one-line (miscellaneous) income entry, "income split - Samson."

Exhibit A contains Anchem's comparative operating statement in terms of dollars and dollars as a percent of sales for the period fiscal 1991-1995.

Angeles Chemical Co.
Gross Profit & Sales
F1995-1991



Sales of \$6.6 million in fiscal 1995 were down 5.2% from fiscal 1994. COGS dropped a lesser 2.4% to \$4.6 million (70.3%) in fiscal 1995. Gross profit fell 11% to \$1.97 million (29.7%) from \$2.2 million (31.7%) in fiscal 1994.

Operating expenses dropped 8.3% to \$2.2 million (33.6%) in fiscal 1995 due to lower salaries, labor costs and insurance. Professional services (legal cost) returned to more historical (pre-S&J litigation) levels. Also, the Company reclassified in fiscal 1995 its contamination and clean-up costs (of \$168,000) to "other expense" rather than showing it as an operating expense.

The operating expense reduction did not offset the gross profit decline, which caused the fiscal 1995 operating loss to increase to \$255,000 (3.8%) from a \$211,000 loss (3.0%) in fiscal 1994 and as such was the highest operating loss since fiscal 1990, which is not directly comparable because of Saramco (fiscal 1991 and beyond).

Net other income was down to \$18,000 in fiscal 1995 from \$173,000 (2.5%) in fiscal 1994 because of the reclassification and large amount (\$168,000) of the contamination clean-up. Interest expense was up \$35,000 to \$51,000 (.8%) in fiscal 1995.

In fiscal 1995, pretax and post-tax losses were \$288,000 (4.4%) and \$289,000 (4.4%) respectively compared to a small \$54,000 (.8%) deficit in fiscal 1994. The Company has recorded net losses in three of the past five years although fiscal 1995 could have been break even excluding the heavy litigation and clean-up costs. At April 30, 1995, Anchem has a net operating tax loss carryforward for IRS purposes of \$372,000 which may shelter an S&J court award or settlement if it is taxable.

Exhibit B contains Anchem's comparative balance sheet in terms of dollars and dollars as a percent of assets for the period fiscal 1991-1995. Fiscal years 1992 to 1995 reflect the Samson joint venture.

With the property acquisition at January 1, 1994, Anchem's balance sheet profile changed with an increased fixed plant component, although current assets are still 73% of total assets of \$3.2 million at April 30, 1995. Also for the first time, Anchem has significant long-term debt in the form of a 14-year 7.5% \$611,000 note payable equally to two current and one former shareholder — on which annual principal and interest payments aggregate \$72,000. Thus Anchem has become more leveraged and capital intensive.

At April 30, 1995, current assets were \$2.3 million (73.2% of total assets), down 10.7% from \$2.6 million (75.7%) at April 30, 1994 as follows:

- Cash and equivalents — \$79,000 (2.5%), down \$266,000
- Accounts receivable — \$780,000 (24.5%), down 35.4%
as a delinquent receivable was cleared up
- Inventories — \$1.01 million (31.7%), up 14.2%
- Prepaid expenses/deferred charges — \$462,000 (14.5%), up 161%
(see Schedule 2, Appendix I for list of deferred charges)

At April 30, 1995, net fixed plant rose modestly to \$823,000 (25.8%). Other assets (Samson investment) were up slightly to \$32,000 (1.0%). Total assets fell 7.7% to \$3.19 million.

Current liabilities at April 30, 1995 were \$1.13 million (35.7% of total liabilities and equity), up 4.7% from \$1.08 million (31.5%) a year earlier as follows:

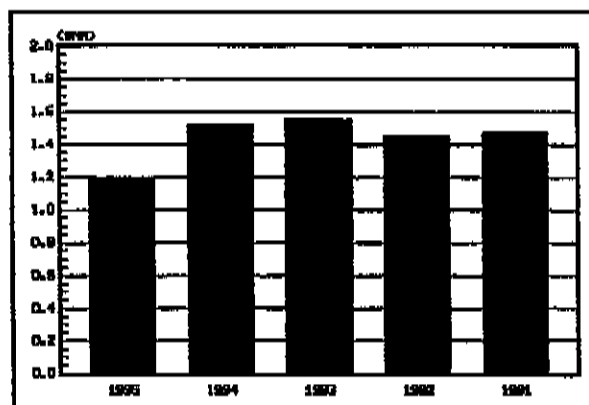
- Accounts payable — \$997,000 (31.3%), up 15.4%
- Drum deposits — \$7,000, down \$61,000
- Note payable (insurance) — \$62,000 (2.0%), down 27%
- Accrued expenses — \$44,000 (1.4%), unchanged
- Current portion - debt — \$27,000 (.8%), up 8%

The long-term note of \$584,000 (18.3%) at April 30, 1995 was down 4.4%.

Shareholders' equity fell 16.5% to \$1.45 million (46%) on the net loss.

Exhibit C presents selected financial and operating ratios for fiscal years 1995-1993. It shows some deterioration of the previously strong current and quick ratios to 2.05X and 0.76X respectively at April 30, 1995.

Angeles Chemical Co.
Working Capital
F1995-1991



Working capital, which is composed primarily of accounts receivable and cash and equivalents, fell 21.7% to \$1.2 million. The sales to working capital ratio increased to 5.5 times from 4.6 times at April 30, 1994. If combined Samson/Anchem sales of \$10.1 million are used, the fiscal 1995 sales/working capital ratio is 8.4X. Inventory turns dropped to 4.6 times during fiscal 1995 from 5.4 times in fiscal 1994 on lower sales and higher inventory.

Appendix I contains a statement of cash flows for fiscal 1995 which is summarized and compared to fiscal 1994 and 1993 as follows:

	<u>F1995</u>	<u>F1994</u> <u>—(000)—</u>	<u>F1993</u>
Net cash from (used):			
Operating activities	(\$271)	\$ (9)	\$(122)
Investing activities	54	(599)	131
Financing activities	(48)	635	15
Net change in cash	(\$266)	\$ 28	\$ 24

The large net loss of \$289,000 created net cash used in operating activities of \$271,000. Affiliate (Samson) distribution created net cash from investing activities of \$54,000. A decrease in notes payable generated \$48,000 cash used in financing. For the year, cash decreased \$266,000. Overall corporate liquidity declined in fiscal 1995 and Anchem's debt/equity ratio rose slightly to 0.4:1.

Management provided no specific operating forecast for fiscal 1996. As of fall 1995, the Company may have obtained about \$700,000 (annual) of new packaging business in Southern

California. It was also negotiating a split profit alliance with a Bay Area dealer for \$1 million of new packaging sales. The Company is negotiating for a bank credit line to support this new business.

ANGELES CHEMICAL CO.

Exhibit A

Comparative Income Statement, 1992-1991
(\$000)

FYE 4/30:	<u>1992</u>		<u>1991</u>		<u>1990</u>		<u>1989</u>		<u>1988</u>		<u>1987</u>	
Net Sales	\$6615	100.0%	\$6976	100.0%	\$8103	100.0%	\$8051	100.0%	\$7944	100.0%	\$7944	100.0%
Cost of Sales	4648	70.3	4764	68.3	5691	70.2	6105	75.8	5960	75.0	5960	75.0
Gross Profit	1967	29.7	2211	31.7	2412	29.8	1946	24.2	1983	25.0	1983	25.0
Operating Expenses	2222	33.4	2422	34.7	2535	31.3	2107	26.2	2095	26.4	2095	26.4
Operating Income (Loss)	(255)	(3.8)	(211)	(3.0)	(123)	(1.5)	(161)	(2.0)	(112)	(1.4)	(112)	(1.4)
Other Income	18	--	173	2.5	182	2.2	177	2.2	98	1.2	98	1.2
Other Expense (Interest)	51	(.8)	16	(.2)	6	(.1)	(8)	(.1)	(22)	(.3)	(22)	(.3)
Pretax Income (Loss)	(288)	(4.4)	(54)	(.8)	53	.7	8	.1	(38)	(.5)	(38)	(.5)
Provision for Taxes	1	--	1	--	4	--	(3)	--	(1)	--	(1)	--
Net Income (Loss)	<u>\$ (289)</u>	<u>(4.4)</u>	<u>\$ (54)</u>	<u>(.8)</u>	<u>\$ 49</u>	<u>.6</u>	<u>\$ 5</u>	<u>--</u>	<u>\$ (39)</u>	<u>(.5)</u>	<u>\$ (39)</u>	<u>(.5)</u>

SOURCE: Company financial statements (unaudited).

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ANGELES CHEMICAL CO.

Exhibit B

Comparative Balance Sheet
1995-1991
(000)

As of 4/30:	1995	1994	1993	1992	1991
Current Assets:					
Cash and liquid investments	\$ 79 2.5%	\$ 345 10.0%	\$ 317 10.0%	\$ 292 9.2%	\$ 475 17.6%
Accounts receivable	780 24.5	1207 35.0	1494 47.0	1534 48.5	1063 39.4
Inventories	1012 31.7	886 25.7	920 29.0	875 27.7	738 27.3
Prepaid expenses/other	462 14.5	177 5.1	187 6.2	176 5.5	164 6.1
Total	<u>2333</u> 73.2	<u>2614</u> 75.7	<u>2928</u> 92.2	<u>2875</u> 90.9	<u>2440</u> 90.4
Land	648	648	--	--	--
Other Fixed Assets at Cost	1715	1653	1746	1747	1668
Accumulated Depreciation	(1548)	(1490)	(1523)	(1495)	(1419)
Net Fixed Assets	815 25.8	811 23.5	223 7.0	254 8.0	249 9.2
Other Assets	32 1.0	27 .8	24 .8	32 1.0	12 .4
Total Assets	<u>\$3167</u> 100.0	<u>\$3452</u> 100.0	<u>\$3175</u> 100.0	<u>\$3161</u> 100.0	<u>\$2701</u> 100.0
Current Liabilities:					
Accounts payable	\$ 997 31.3	\$ 864 25.0	\$1112 35.0	\$1220 38.6	\$ 749 27.7
Deposits	7 .2	68 2.0	60 1.9	60 1.9	56 2.1
Note payable	62 2.0	85 2.5	85 2.7	70 2.2	87 3.2
Accrued expenses	44 1.4	44 1.3	109 3.4	51 1.6	44 1.6
Current debt portion	27 .8	25 .7	--	--	--
Total	<u>1137</u> 35.7	<u>1086</u> 31.5	<u>1366</u> 43.0	<u>1401</u> 44.3	<u>937</u> 34.7
Long-Term Liabilities	584 18.3	611 17.7	--	--	9 .3
Shareholder Equity	1466 46.0	1755 50.8	1809 57.1	1760 55.7	1755 65.0
Total Liabilities & Equity	<u>\$3167</u> 100.0	<u>\$3452</u> 100.0	<u>\$3175</u> 100.0	<u>\$3161</u> 100.0	<u>\$2701</u> 100.0

SOURCE: Company financial statements (unaudited).

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ANGELES CHEMICAL CO.

Exhibit C

Selected Ratio Analysis
FY1995-1993

	FY 4/30:	<u>1995</u>	<u>1994</u>	<u>1993</u>
<u>Liquidity Ratios</u>				
Current (Current Assets divided by Current Liabilities)		2.05	2.41	2.15
Quick (Cash & Accounts Receivable divided by Current Liabilities)		.76	1.43	1.33
Working Capital (\$000)		1196	1528	1563
Sales/Receivables (Sales divided by Accounts Receivable)		8.5	5.8	5.4
Sales/Working Capital (Sales divided by Working Capital)		5.5	4.6	5.2
Cost of Goods Sold/Inventories (Cost of Goods Sold divided by Inventories)		4.6	5.4	6.2
<u>Coverage Ratios</u>				
EBIT/Interest (Earnings before Interest & Tax divided by Interest Expense)		Neg.	Neg.	9.8
Cash Flow/Maturity LTD (Net Income + Depreciation Expenses divided by Note Payable and Current Debt)		Neg.	Neg.	1.14
<u>Leverage Ratios</u>				
Debt/Worth (Total Liabilities divided by Net Worth)		1.17	0.97	0.75
Long-Term Liabilities/Worth (Liabilities over one year divided by Net Worth)		0.40	0.35	N.A.
<u>Operating Ratios</u>				
Total Asset Turnover (Sales divided by Average Total Assets)		2.0	2.02	2.56
Return on Equity (Net Income divided by Average Stockholders' Equity)		(17.9%)	(3.0%)	2.8%
Return on Assets (Net Income divided by Average Assets)		(8.7%)	(1.6%)	1.6%

N.A. = Not applicable

Neg. = Negligible

Nom. = Nominal

SOURCE: Company statements and Wramstedt & Associates.

IV. VALUATION

In arriving at a minority interest fair market value determination for Anchem, Bramstedt & Associates has considered the relevant factors set forth in Revenue Ruling 59-60 with regard to the valuation of closely held companies and in the Department of Labor's (DOL) proposed regulations on "Adequate Consideration" as they relate to the valuation of securities for Employee Stock Ownership Plan purposes. The following comments represent our findings with regard to those specific factors outlined in Revenue Ruling 59-60 and the DOL's proposed regulations on "Adequate Consideration" as they pertain to the valuation of Anchem. The following references to Revenue Ruling 59-60 implicitly include the DOL's proposed regulations.

Book Value

Revenue Ruling 59-60 states that the appraiser should consider book value when valuing a closely held company. Anchem's stated book value was \$1,446,003 or \$27.11 a share as of April 30, 1995.

Normally, book value or adjusted book value is not afforded much weight or consideration in the valuation of an operating company such as Anchem. Such type companies are normally valued on earnings and/or cash flow capacity. Because of depressed operating results, the appraiser chose to use book value as fair market value for ESOP purposes as of April 30, 1987 and has used it as a valuation reference since then.

Dividend History, Capacity and Probability

Revenue Ruling 59-60 suggests that the appraiser consider dividends and dividend paying capacity in valuing closely held securities. Anchem has recorded a small profit in only two of the past five years.

The Company has not paid any dividends on its common stock and has no intention of changing this policy at this time. This policy is quite appropriate for a small, private company which is owned by shareholders who neither rely upon nor expect dividend income.

Normally, earnings reinvested in the growth of a company can be expected to earn at a greater return than dividend income invested in other investment opportunities with similar risks and prospects. Consequently, shareholders will ultimately benefit from the current policy to reinvest earnings in the Company's growth rather than to pay cash dividends.

Comparable Companies — Publicly Traded

Revenue Ruling 59-60 suggests that the appraiser consider the market price of stocks of corporations engaged in the same or a similar line of business having their stock actively traded in a free and open market or over the counter. Bramstedt & Associates has made an exhaustive search for comparable public companies which can be deemed to be similar to Anchem. No single company proved to be a worthy publicly traded comparable. Public companies are generally much larger and more diverse both geographically and in business operations.

Cash Flow and Earnings Capacity

Pre-1987 ESOP valuations by Charles Stark, PC, appear to rely on conclusions derived from capitalizing five-year average of net income, aftertax cash flow and pretax available cash flow, among other methods. Aftertax cash flow is net income plus depreciation. Available cash flow is pretax income plus profit share/ESOP contribution plus depreciation. Depreciation in fiscal 1993, 1994 and 1995 was \$44,000, \$49,000 and \$50,000 respectively. ESOP contributions were \$16,200 in fiscal 1993, \$8,000 in fiscal 1994 and none in fiscal 1995. Anchem's earnings and cash flow as just defined for fiscal 1995 to 1993 are shown below:

Period	Net Income (Loss)	Cash Flow	
		Available	After Tax
F1995	(\$289,000)	\$ (238)	\$ (239)
F1994	(54,000)	3,000	(5,000)
F1993	49,000	113,000	93,000

Note: Figures have been rounded.

Because of the erosion of the Company's earning and cash generating power, the application of the income methodology is not now being used.

Valuation Issues — General

Due to insufficient demonstrable earning power and thin cash flow prospects, Bramstedt & Associates and the appraiser once again must look to the balance sheet (asset approach) for valuation purposes as in fiscal 1993 and 1994 when we employed an adjusted or modified book value approach.

Generally, capitalization of income and cash flow streams is the appropriate methodology for determining the equity fair market value of an operating company such as Anchem. The decision to utilize adjusted book value and working capital in the recent past is based on the factors discussed in these and prior reports and the appraiser's experience and knowledge in deriving equity values of closely held companies.

Since the Company "booked" the underlying real estate with the related debt in fiscal 1994, the valuation method was reexamined for fiscal 1994. As Anchem has long-term debt, working capital does not accrue directly to the shareholders and it was therefore not applicable as an equity value indicator as was the case in fiscal 1993's valuation study. An adjusted book value method is employed.

Valuation Issues — Spencer & Jones Litigation Award

The significant contingent asset created by the Los Angeles Superior Court jury award of \$600,000 (with accrued interest) (see page 4) is a valuation consideration at April 30, 1995. The best case is that the Appeals Court upholds the lower court award sometime between April and December 1996 or twelve to eighteen months after the valuation date. The gross proceeds (less legal

expenses and possible taxes) could be applied by the Company in several ways (not necessarily all inclusive):

- Remedial work and storage tank replacement
- Pay down shareholder notes or bank debt
- General capital improvements to increase operating efficiency
- Repurchase company/ESOP stock from John Locke at retirement or from Robert Berg

The decision and discretion on the application of a jury award clearly rests with the control shareholder/officer(s) John Locke and, conceptually, Robert Berg.

Under the best case appeals court outcome (which would occur at least a year from the valuation date), a minority Anchem shareholder — the ESOP — may not receive any direct financial benefit except that the Company's overall economic position would be enhanced and financial risk lowered.

Alternatively, an out-of-court settlement at a lower figure than \$600,000 would be less economically beneficial to the Company and its shareholders. The Appeals court could remand the case to Superior Court for retrial with no funds available for the above or other corporate purposes.

Accordingly, after considering all the facts and information reasonably known to him, the appraiser did not specifically quantify the contingent asset at April 30, 1995 for ESOP (minority interest) valuation purposes. However, as discussed below, the appraiser has accorded the contingent asset some implicit recognition. Under this approach, receipt by Anchem of all or part of the jury award should have a positive equity valuation impact at the concurrent valuation date. Total denial of the financial award would not in and of itself be a material negative valuation factor.

Valuation Conclusion

At April 30, 1995, Anchem's stated book value was \$1,466,003. To this is applied progressively a 10% "liquidation" discount and a 10% restricted marketability discount, below or the same as the discounts used in the fiscal 1993 and 1994 valuations.

The appraiser did not widen these discounts in recognition of Anchem's declining operating and financial condition because of the possibility of a favorable Spencer & Jones litigation outcome.

This produces an indicated fair market value (FMV) for ESOP purposes of the equity ownership of Angeles Chemical as of April 30, 1995 of \$1,187,463 or \$22.00 (rounded) per share on 54,065 A and B common shares outstanding. This is 81% of book value and 18% of sales (see page 3).

Unlike years prior to fiscal 1994, the appraiser has not applied a 10% goodwill premium to the adjusted book value given: (1) the fiscal 1994 sales decline; (2) the ongoing environmental clean-up and compliance costs and exposure; and (3) the increased business and investment risk created by the property purchase and related debt assumption.

Anceles Chemical Co., Inc.
Adjusted Book Value Method
April 30, 1995

Stated Book Value	\$1,466,003
Less, Liquidation Discount (10%)	<u>146,600</u>
Subtotal	\$1,319,403
Less, Marketability Discount (10%)	<u>131,940</u>
 Indicated FMV	 <u>\$1,187,463</u>
 On 54,065 A&B Shares	 <u>\$22.00</u> (R)

(R) = Rounded

As of the ESOP plan year which began May 1, 1987, the ESOP Administration Committee set a policy of paying plan participants terminated for reasons other than retirement at age 65 in five annual cash pay-outs commencing on the first anniversary of termination. Terminated plan participants sell 20% of their stock to the ESOP in each of five years at the fair market value applicable for each year. Accordingly, the above derived value reflects a discount of 10% or the same as applied at April 30, 1994. This marketability discount conceptually reflects the time value of money under the deferred pay-out program now in effect.

Recent Stock Sale and Valuation

Revenue Ruling 59-60 suggests that arm's-length sales to knowledgeable unrelated third parties in the recent past would be a basis for valuation.

There have been no such recent transactions.

V. CONCLUSIONS

Based on our experience and general knowledge in determining the value of closely held companies and upon the consideration of all factors previously discussed, Bramstedt & Associates is of the opinion that the fair market value of the outstanding common stock of Angeles Chemical Co. for ESOT purposes is \$1,187,463 or \$22.00 per share as of April 30, 1995 on 54,065 Class A and B shares outstanding. This valuation is based on an adjusted or modified book value approach.

Specific positive factors concerning Anchem were: some apparent operational and environmental stabilization; the profit and other benefits from the Saramco affiliation; a recovering California economy; potential new business in fiscal 1996-97; and the possibility of a Company-favorable resolution of the Spencer & Jones litigation sometime during 1996.

Unfavorable factors were: the 18% fiscal 1993-95 sales drop and fiscal 1994-95 losses; no visibility for real earnings generation; negative returns on capital and equity; the hostile operating environment for small chemical processors in heavily populated urban areas such as Los Angeles with the attendant ongoing compliance costs; and the fiscal 1995 decrease in corporate liquidity.

This valuation is as of April 30, 1995; and, since it is based upon recent financial statements, it should be valid for the near future. However, it is imperative to recognize that the dynamics of the industries served and general economic conditions can change and invalidate this evaluation. Federal regulations require that the Company's common stock be reevaluated at least annually for ESOT purposes.

APPENDIX I

ANGELES CHEMICAL CO., INC.

APRIL 30, 1995 AND APRIL 30, 1994

BR001452

ANGELES CHEMICAL CO., INC.

INDEX

1. Accountant's Compilation Report
2. Balance Sheets
3. Statements of Income and Retained Earnings
4. Statements of Cash Flow
5. Other Income (Expenses) - Schedule 1
6. Balance Sheet Schedules - Schedule 2

SINGER, TRAYNOR & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
500 Citadel Drive, Suite 300
Los Angeles, CA 90040

November 21, 1995

Angeles Chemical Co., Inc.
8915 Sorensen Ave.
Santa Fe Springs, CA 90670

The accompanying balance sheets of Angeles Chemical Co., Inc. as of April 30, 1995 and April 30, 1994 and the related statements of income and retained earnings and cash flow for the years then ended, have been compiled by us in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position and results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Singer, Traynor & Co.

Singer, Traynor & Co.
Certified Public Accountants

BR001454

Angeles Chemical Co., Inc.

BALANCE SHEETS

April 30, 1995 and April 30, 1994

ASSETS

	<u>1995</u>	<u>1994</u>
<u>CURRENT ASSETS</u>		
Cash	78,714.32	344,736.75
Accounts Receivable (Net of Bad Debts Allowances of \$5,000.00 and \$5,000.00, Respectively)	780,060.21	826,603.18
Inventories	1,012,310.16	886,014.45
Due from Stallion Tank Lines, Inc.	49,841.28	62,015.51
Due from Samson	259,210.16	313,390.80
Due from Other		4,897.14
Employee Advances	16,970.96	11,628.56
Deferred Charges - Schedule 2	135,520.52	162,935.41
Franchise Tax Prepayment		2,369.00
<u>TOTAL CURRENT ASSETS</u>	<u>2,332,627.61</u>	<u>2,614,590.80</u>
<u>FIXED ASSETS</u> (at Cost)		
Land	648,000.00	648,000.00
Office Trailers	99,568.00	99,568.00
Trucks & Autos	189,801.00	161,272.00
Tanks & Plant Equipment	822,673.00	801,992.00
Furniture & Fixtures	237,148.00	230,556.00
Plant	365,599.00	359,956.00
<u>TOTAL</u>	<u>2,362,789.00</u>	<u>2,301,344.00</u>
Less: Accumulated Depreciation	<u>1,540,099.00</u>	<u>1,490,266.00</u>
<u>BOOK VALUE</u>	<u>822,690.00</u>	<u>811,078.00</u>
<u>OTHER ASSETS</u>		
Deposits	2,580.00	2,580.00
Investment in Samson	29,113.87	24,227.07
<u>TOTAL OTHER ASSETS</u>	<u>31,693.87</u>	<u>26,807.07</u>
<u>TOTAL ASSETS</u>	<u>3,187,011.48</u>	<u>3,452,475.87</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

<u>CURRENT LIABILITIES</u>		
Accounts Payable	997,558.73	864,418.86
Accrued Liabilities - Schedule 2	44,049.42	44,482.96
Note Payable	61,647.92	85,010.68
Drum Deposits	6,905.00	67,556.53
Term Debt - Current - Schedule 2	27,105.66	25,152.93
<u>TOTAL CURRENT LIABILITIES</u>	<u>1,137,266.73</u>	<u>1,086,621.96</u>
<u>TERM DEBT - Schedule 2</u>	<u>583,741.56</u>	<u>610,847.22</u>
<u>SHAREHOLDERS' EQUITY</u>		
Common Stock, \$0.10 Par Value; 1,000,000 Shares Authorized; 54,065 Shares Issued & Outstanding	5,406.50	5,406.50
Paid-In Capital	105,723.80	105,723.80
Retained Earnings	1,354,872.89	1,643,876.39
<u>TOTAL SHAREHOLDERS' EQUITY</u>	<u>1,466,003.19</u>	<u>1,755,006.69</u>
<u>TOTAL LIABILITIES & SHAREHOLDERS' EQUITY</u>	<u>3,187,011.48</u>	<u>3,452,475.87</u>

SEE ACCOUNTANT'S COMPILATION REPORT

BR001455

Angeles Chemical Co., Inc.

STATEMENTS OF INCOME AND RETAINED EARNINGS

For the Years Ended April 30, 1995 and April 30, 1994

	<u>1995</u>	<u>%</u>	<u>1994</u>	<u>%</u>
<u>SALES</u>	6,615,466.19	100.00	6,975,932.38	100.00
<u>LESS: COST OF SALES</u>	<u>4,648,193.08</u>	<u>70.26</u>	<u>4,764,547.39</u>	<u>68.30</u>
<u>GROSS PROFIT</u>	<u>1,967,273.11</u>	<u>29.74</u>	<u>2,211,384.99</u>	<u>31.70</u>
<u>OPERATING EXPENSES</u>				
Salaries & Wages	493,900.62	7.47	416,243.63	5.96
Compensation Insurance	32,071.93	0.48		
Outside Labor	266,079.93	4.02	309,052.73	4.43
Insurance	122,209.27	1.85	166,414.61	2.39
Truck Expense	208,772.39	3.16	170,364.87	2.44
Freight	154,774.21	2.34	125,771.21	1.80
Commissions	165,681.53	2.50	175,677.76	2.52
Rent	75,380.30	1.14	186,443.16	2.67
Repairs & Maintenance	119,641.56	1.81	123,282.30	1.77
Plant Expense	108,464.48	1.64	97,508.46	1.40
Printing Expense	11,723.21	0.18	21,153.02	0.30
Tank Testing & Lab Expense	25,479.97	0.39	30,271.15	0.43
Auto & Travel	34,464.09	0.52	44,657.76	0.64
Bad Debts	3,451.39	0.05	4,750.57	0.07
Bank Charge	106.81		1,207.54	0.02
Telephone & Utilities	45,269.50	0.68	44,352.58	0.64
Depreciation	49,833.00	0.75	49,233.65	0.71
Payroll Taxes	49,060.38	0.74	38,452.60	0.55
Professional Services	54,714.20	0.83	223,056.99	3.20
Taxes & Licenses	43,606.43	0.66	32,961.37	0.47
Business Promotion	29,703.27	0.45	21,458.91	0.31
Office Supplies	25,724.52	0.39	20,978.45	0.30
Computer Expense	40,530.05	0.61	53,961.01	0.77
Advertising	11,752.55	0.18	17,175.56	0.25
Profit Sharing Expense	(467.00)	(0.01)	8,000.00	0.11
Employee Welfare	13,585.62	0.21	9,415.53	0.13
Dues & Subscriptions	9,480.56	0.14	9,006.75	0.13
Equipment Rental	21,450.68	0.32	15,223.10	0.22
Seminars & Meetings	4,982.00	0.08	5,385.50	0.08
Donations	735.00	0.01	775.00	0.01
<u>TOTAL OPERATING EXPENSES</u>	<u>2,222,162.45</u>	<u>33.59</u>	<u>2,422,235.77</u>	<u>34.72</u>
<u>OPERATING (LOSS)</u>	<u>(254,889.34)</u>	<u>(3.85)</u>	<u>(210,850.78)</u>	<u>(3.02)</u>
<u>OTHER (EXPENSES) INCOME - Schedule 1</u>	<u>(33,314.16)</u>	<u>(0.50)</u>	<u>157,207.83</u>	<u>2.25</u>
<u>(LOSS) BEFORE INCOME TAXES</u>	<u>(288,203.50)</u>	<u>(4.35)</u>	<u>(53,642.95)</u>	<u>(0.77)</u>
Provision for Income Taxes	800.00	0.01	800.00	0.01
<u>NET (LOSS) TO RETAINED EARNINGS</u>	<u>(289,003.50)</u>	<u>(4.36)</u>	<u>(54,442.95)</u>	<u>(0.78)</u>
<u>RETAINED EARNINGS - BEGINNING</u>	<u>1,643,876.39</u>		<u>1,698,319.34</u>	
<u>RETAINED EARNINGS - ENDING</u>	<u>1,354,872.89</u>		<u>1,643,876.39</u>	

SEE ACCOUNTANT'S COMPILATION REPORT

BR001456

Angeles Chemical Co., Inc.

STATEMENTS OF CASH FLOW

For the Years Ended April 30, 1995 and April 30, 1994

	<u>1995</u>	<u>1994</u>
<u>OPERATING ACTIVITIES</u>		
Net (Loss)	(289,003.50)	(54,442.95)
Adjustments to Reconcile Net (Loss) to Net Cash Provided by Operating Activities:		
Equity in Income of Affiliate	(119,965.13)	(127,100.98)
(Gain) on Sale of Depreciable Assets		(1,927.00)
Depreciation	<u>49,833.00</u>	<u>49,233.65</u>
<u>CASH (USED) BY OPERATIONS</u>	<u>(359,135.63)</u>	<u>(134,237.28)</u>
<u>CASH PROVIDED (USED) BY OPERATING ASSETS AND LIABILITIES:</u>		
Decrease in Accounts Receivable	46,542.97	152,185.80
(Increase) Decrease in Inventories	(126,295.71)	118,831.62
Decrease in Deferred Charges	27,414.89	28,575.04
Decrease in Other Current Assets	65,909.61	128,853.43
(Increase) in Other Assets		(2,580.00)
Decrease in Drum Inventory		5,680.88
(Decrease) in Accounts Payable	133,139.87	(247,856.98)
(Decrease) Increase in Accrued Liabilities	(433.54)	(62,503.90)
Increase (Decrease) in Customer Deposits	(60,651.53)	7,871.53
(Decrease) Increase in Franchise Tax Payable	<u>2,369.00</u>	<u>(4,100.00)</u>
<u>NET CASH PROVIDED BY OPERATING ASSETS AND LIABILITIES</u>	<u>87,995.56</u>	<u>124,957.42</u>
<u>NET CASH (USED) BY OPERATING ACTIVITIES</u>	<u>(271,140.07)</u>	<u>(9,279.86)</u>
<u>INVESTING ACTIVITIES</u>		
Distributions from Affiliate	115,078.33	126,560.19
Proceeds from Disposal of Property, Plant & Equipment		2,718.14
Purchase of Property, Plant & Equipment	<u>(61,445.00)</u>	<u>(728,193.00)</u>
<u>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</u>	<u>53,633.33</u>	<u>(598,914.67)</u>
<u>FINANCING ACTIVITIES</u>		
Increase in Notes Payable	<u>(48,515.69)</u>	<u>635,964.72</u>
<u>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</u>	<u>(266,022.43)</u>	<u>27,770.19</u>
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>344,736.75</u>	<u>316,966.56</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>78,714.32</u>	<u>344,736.75</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid During the Years Ended April 30, 1995 and April 30, 1994 for:

Income Taxes	<u>800.00</u>	<u>4,900.00</u>
Interest	<u>51,525.00</u>	<u>16,035.71</u>

SEE ACCOUNTANT'S COMPILATION REPORT

Angeles Chemical Co., Inc.

OTHER INCOME (EXPENSES)

Schedule 1

For the Years Ended April 30, 1995 and April 30, 1994

	<u>1995</u>	<u>%</u>	<u>1994</u>	<u>%</u>
Income Split - Samson	119,965.13	1.81	127,100.98	1.82
Terminating Charges	32,143.29	0.49	37,567.90	0.54
Interest Income	6,630.57	0.10	6,932.98	0.10
Claims Expense	(8,576.10)	(0.13)		
Compensation Insurance Dividend	36,322.81	0.55		
Contamination Expense	(168,443.00)	(2.54)		
Gain on Sale of Fixed Assets			1,927.00	0.03
Miscellaneous Income	168.14		389.60	0.01
Miscellaneous Expense			(674.92)	(0.01)
Interest Expense	(51,525.00)	(0.78)	(16,035.71)	(0.24)
<u>NET OTHER (EXPENSES) INCOME</u>	<u>(33,314.16)</u>	<u>(0.50)</u>	<u>157,207.83</u>	<u>2.25</u>

SEE ACCOUNTANT'S COMPILATION REPORT

BR001458

Angeles Chemical Co., Inc.

BALANCE SHEET SCHEDULES

Schedule 2

April 30, 1995 and April 30, 1994

	<u>1995</u>	<u>1994</u>
<u>DEFERRED CHARGES</u>		
Property Taxes	1,922.22	1,472.26
Insurance	95,511.00	113,974.00
Lease	518.00	2,798.13
Excise Tax - Fuel	16,843.39	4,154.45
Taxes & Licenses	622.00	
Compensation Insurance	5,170.64	5,667.13
Other	<u>14,933.27</u>	<u>34,869.44</u>
<u>TOTAL</u>	<u>135,520.52</u>	<u>162,935.41</u>

ACCRUED LIABILITIES

Commissions	5,801.90	10,245.94
Payroll Taxes		868.36
Sales Taxes	9,590.80	2,548.82
Payroll	7,011.25	5,345.51
ESOP Expense		6,850.00
Other	<u>21,645.47</u>	<u>18,624.33</u>
<u>TOTAL</u>	<u>44,049.42</u>	<u>44,482.96</u>

	<u>Current</u>	<u>1995</u> <u>Term</u>	<u>Total</u>
<u>TERM DEBT</u>			
J. Locke	9,035.22	194,580.52	203,615.74
A. Rosenthal	9,035.22	194,580.52	203,615.74
N. Spieler, Trustee	<u>9,035.22</u>	<u>194,580.52</u>	<u>203,615.74</u>
<u>TOTAL</u>	<u>27,105.66</u>	<u>583,741.56</u>	<u>610,847.22</u>

	<u>Current</u>	<u>1994</u> <u>Term</u>	<u>Total</u>
<u>TERM DEBT</u>			
J. Locke	8,384.31	203,615.74	212,000.05
A. Rosenthal	8,384.31	203,615.74	212,000.05
N. Spieler, Trustee	<u>8,384.31</u>	<u>203,615.74</u>	<u>212,000.05</u>
<u>TOTAL</u>	<u>25,152.93</u>	<u>610,847.22</u>	<u>636,000.15</u>

SEE ACCOUNTANT'S COMPILATION REPORT

APPENDIX II

B R A M S T E D T

and Associates Incorporated

Financial Consulting

Business Valuations

Financial Analysis

Qualifications of Bramstedt & Associates, Inc.

Eric M. Bramstedt, CFA, has over 30 years experience in the field of financial analysis, equity evaluations, securities analysis and investment banking. From 1967 to 1977 Mr. Bramstedt was a senior security analyst and officer of three San Francisco based institutional research firms including Sutro & Co. He has prepared over 500 business valuations of closely held companies for merger and acquisition, gift and estate taxes, Employee Stock Ownership Plans (ESOPs), buy/sell agreements, marital dissolutions, litigation support, and others. These valuations have covered a broad scope of closely held and public companies including several *Fortune* 1000 listings. Mr. Bramstedt possesses in-depth knowledge of ESOP functions, structuring and valuation through fifteen years of extensive experience with four leading ESOP design and valuation firms—Sansome Street Appraisers, Inc. (Menke & Associates); Kelso & Co.; Houlihan, Lokey, Howard & Zukin; and Private Capital Corp. This experience includes work for an employee coalition's proposed ESOP buy-out of Eastern Airlines.

Mr. Bramstedt has provided business valuation and financial consulting services to companies in manufacturing, foundry, retail trade, commercial banking, architecture and engineering, technology, distribution/manufacturer's representative, oil and oil service, health care, forest products and building materials, construction and contracting services, newspaper publishing and commercial printing. Mr. Bramstedt is a specialist in transportation, particularly trucking. Clients have included major domestic and international transportation companies for acquisition, investment banking, ESOP and other applications. He is editor of *Cal-Tips*, an operating and financial study of the California less-than-truckload business.

Mr. Bramstedt is a Chartered Financial Analyst (CFA) and a member of the Institute of Chartered Financial Analysts, the Association for Investment Management and Research and the Transportation Research Forum, and is a charter member and President of the Valuation Roundtable of San Francisco. He holds a Bachelor's Degree in Economics from Stanford University. Mr. Bramstedt has appeared as an expert witness before the California Public Utilities Commission and in civil court on matters of economic damages.

2402 Vista Del Mar Lane Tiburon, CA 94920-1208 Tel 415-435-9438 Fax 415-435-9438

114 Sansome St., Suite 808 San Francisco, CA 94104-3818 Tel 415-362-9900 Fax 415-362-6492

BR001461

Anchorage

FMV 4/30/95

1. Issues

- Drop in cash - liquidity
- " in B.V.
- Is drop in legal fees
offset by -
- \$168,000 contamination expense - one time?
- Real Property FMV

2.

Spencer & Jones - Scenario U-2-V MT FMV

1. Appellate Court Denies Award
2. " " Upholds " at \$600k or
less

3. Anchorage settles for less.

4. Procedural (for topic?) applicable:

- a) Remedial & tank work
- b) Pay down 5/4th tank debt
- c) Repurchase ESOP on other stock
from Jochen/Berg (Control)
- d) Working Capital

Conclusion: Minority S/H (ESOP) may not
benefit economically from favorable
award except for enhanced
net FMV.

Cerham

Paul Singer

(213 - 231 - 1155)

Off 213 - 726 - 2411

Ph: 12/14/95

A)

General Comments

- Still doing just compilation.
Partly general ledger to statement
and tax return
- Do not do detail review of A/R, inventory, etc.
except for "check-points"
- Still believe accounting records
soft - need to be brought up to
standard. Need on-site computer
- Law suit appeal resolution very
speculative still
- Accepted company treatment of
"168K contamination expense as "non-recurring"
- TLCF for IRS Q 4/30/95

B)

Going Concern (G.C.)

- Economic loss - questionable because of operating
record and nature of business
- Owners can't afford to liquidate voluntarily
- G.C. until law suit appeal is resolved
- G.C. of all to get credit line.

Cenichan

RMV 4/30/95

John Locke

Ph: 12/14/95

A) John Locke

- Retire as CEO 9/96 at age 70
- Stay on as "consultant"
- Trigger ESOP distribution plan year April '97
- Salary now \$60,000 down from \$50,000
- Berg wanted Locke to buy Berg's stock a year ago. No deal!

B) Bank Loans / New Business

- Applying for \$300,000 plus receivables bank loans (12%) for working capital to handle "new" business. Bank will lend on 80% of receivables less than 60 days.

• New Business

- 1) ICI. Product. fine LA paint companies. Infringible as customers. May not get all fine. \$700,000 current sales could double and have greater margins - Purchasing vs. Bulk.

Coke P2

- Strategic alliance with Bay Area "desla" for "1 mil" of OSH business. Archon packages for S. F. & L.A. Split profit

C) Spencer Jones Appeal

1/31/96 - all partitions etc must be submitted to court

- Review and recommendations by law club
- 3 Judges considered whether to review case
- Time Frame 4-12 months
- *600,000 in interest
- Take not ready to settle yet

D) Traveler Settlement

• Alt 2 years ago Traveler settled for "60,000 on environmental liability suit money applied to clean-up.

E) Real Estate - Lake

"Cleaned-up" property worth "1 mil" (2 acres)

To Come

Onchom

SFE Springs

12/22/94

Barg

Sim Locke

Tim McHenry

1. Land content
2. Ad comp
3. Update pages 29

- 1.) Point info in LA Basin. Downsizing 243-30-12
- 2.) • Small quantity package continues to displace large quantity commercial.
 - Small volume down but consumer satisfaction better
 - Much market - small package
- Competition mostly out of state TX, ILL
- Consumer packaging in Bay Area - Phoenix help offset commercial loss in LA.
- 3.) Responsible Distribution Program (NACD)
 - Begins 1/1/95
 - See material
 - New part of supplier contract. Shell Unani Carbide, others will not sell to distributor outside RDC.
 - Jim Lock now responsible
 - Cost - 60k - 80k - some accounting on expenses
 - Hire full time Compliance / Safety Off
 - Cost 94 - Kristian Fiber
 - Permit audit (95) mail in, then annual on-site NACD audit by Underwriters Lab (U.L.)

c) 6-12 mo remediation - spills
at a landing with \$40k-\$50k

7) A) Spencer Jones Suit P 1995 FMV Insurance
Contingent Asset

(Faulty piping 1976+1980)

Jury verdict & award of \$500k Sept 94
on appeal - prob. final.

Need to talk with attorney

B) Also make 5+5 lease for any future
Superfund claim.

Need to talk with attorney

8)
NO Eff
1/1/94
different
terms

Land lease transfer - subsequent to 4/30/94
Amken but deal for \$670,000 plus int (8%)
or 15-year buy-out. Cash neutral to
Amken - payments equal monthly rent
seller LRB partnership. Dec 93 Berg
gifted 1/2 int each to daughter

→ Need contract - two approaches (1) 4-year
opt for Amken. (2) Present for Berg gift

③

Caracas

FNU - 4/30/94

See to Code

PH: 1/13/95

Environmental

(310-426-9544)

(F) 310 427-0805

- 1) Continuing. CALEPA Dept. of Toxic Chemicals Program classified in phase conversion of 1/12/94 (see notes). Cleaning up contamination from spills, leaks, etc.
- Will eventually be involved in old tank removal and clean up (by 1998).
 - SCS costs running about \$104 per month (average) for some time.

2) Property Transfers

- 3rd Party Buyer Remits - no commercial finances would touch it
- any possible buyer on the commercial solvent process will adequately disinfect for future remediation.

3) Janes: Spagna Invariant

- To Code recommend Extract.
- "Highly competent in the field. Credible."

RESPONSIBLE DISTRIBUTION PROCESS®
DOCUMENT CONTROL AND SYSTEM VERIFICATION
SUGGESTED PROTOCOL

Documentation

In order to control documents and records the system must explain how to maintain, identify, collect, index, file, store, change, retrieve and dispose of documents and records.

Records and Process Verifications

Certain records must be maintained to demonstrate compliance with required practices and to verify effective operation of the system. Examples: inspection reports, test data, qualification reports, validation reports, audit reports, material review reports, calibration data, system costs reports.

Records should be maintained for a specified period, be retrievable for analysis, to identify trends or the need for corrective action.

Corrective Action

Need a standardized procedure for corrective action in cases of non-conformance. Include assignment of responsibility, evaluation of importance, investigation of possible causes, analysis of problem, preventive action, process control, permanent change.

Permanent changes resulting from corrective action should be recorded. It may be necessary to revise the procedure used to detect or eliminate potential problems.

Auditing

Specify areas and activities to be audited. Auditing personnel must be qualified. Indicate when audits are to be conducted and have procedures for reporting findings, conclusions and follow up on corrective action.

Elements of Mechanical and Measurement Control

Equipment must be calibrated, receive periodic adjustment, repair and re-calibration, as specified by manufacturer. Documentary evidence must be kept for services provided. The calibration method must be traceable to known standards.

Statistical Methods

Application of statistical methods will verify that the system is in control. Applications may include process control, quality determination, data analysis, performance assessment or defect analysis.

Protocol subject to revision

SECTION 2

IMPLEMENTATION QUESTIONNAIRE

COMPLIANCE REVIEW & TRAINING

SAFETY

1. Which of the following documented policies/procedures do you have at your facility?

	In Effect	Under Development (Completion Date)	Frequency of Documented Training	N/A
A. Work rules and regulations				
B. Safety and loss prevention				
C. New employee orientation				
D. Accident reporting				
E. Follow up investigation of accidents				
F. Emergency contingency plans (29 CFR 1910.165)				
G. Notification(s) in event of transportation emergencies				
H. Spill reporting by employees				
I. Routine safety equipment inspections				
J. Material Safety Data Sheets (available to all employees)				
K. Confined Space entry (29 CFR 1910.146)				
L. "Hot Work" (29 CFR 1910.252)				
M. Lock out/Tag out				
N. Respiratory protection				
O. Hazard Communication				
P. Risk assessment				
Q. Working surfaces (29 CFR 1910.21-31)				
R. Powered platforms (29 CFR 1910.66-70)				
S. Fire protection systems (29 CFR 1910.155-165)				
T. Personal protective equipment (29 CFR 1910.132-140)				
U. Securing compressed gas cylinders (29 CFR 1910.166-171)				
V. Forklift & crane operator (29 CFR 1910.178-179)				
W. HAZWOPER Training (29 CFR 1910.120)				
X. PSM requirements (29 CFR 1910.119)				
Y. Medical services & first aid (29 CFR 1910.151)				
Z. Air containment (29 CFR 1910.1000)				
1. Occupational noise exposure (29 CFR 1910.95)				
2. Other (please specify)				

(This question is identical to Section 4, Question 1 / Section 5, Question 1 / Section 7, Question 1)



ISSUE DATE 8/24/24 REVISED DATE / /

COMPLIANCE REVIEW & TRAINING Page 2.1

BR001473

NACD Responsible Distribution Process®

Guiding Principles

As a member of the National Association of Chemical Distributors, this company is committed to continuous improvement in the chemical distribution industry's responsible management of chemicals. We pledge to manage our business according to these principles.

1. To recognize and respond to community concerns about chemicals, their handling, and transportation.
2. To make health, safety, and environmental considerations a priority in our planning for all existing and new operations, products, processes, and facilities.
3. To inform emergency response officials, employees, customers, and the public of manufacturer's information on chemical-related health or environmental hazards, and the manufacturer's recommendations on protective measures.
4. To counsel customers, in accordance with manufacturer's recommendations, on product stewardship including handling, use, transportation, and disposal of chemical products.
5. To operate our plants and facilities in a manner that protects the health and safety of our employees, the public and the environment.
6. To cooperate in resolving problems created by past handling and disposal of hazardous chemicals.
7. To participate with government and others in creating responsible laws, regulations, and standards to safeguard the community, workplace, and environment.
8. To promote the principles and practices of Responsible Distribution by sharing experiences and offering assistance to others who produce, handle, use, transport, or dispose of chemicals.

NACD Responsible Distribution Process®

Commitment Statement

I have reviewed the National Association of Chemical Distributors' documents for the NACD Responsible Distribution Process®. The signature below attests to corporate support for the Responsible Distribution Process®, the Guiding Principles, and the Code of Management Practice. The company will make its best efforts to comply with the Code of Management Practice within the target dates specified on this signed document. The following are the steps involved in the process of implementing and working toward the objectives of the Responsible Distribution Process®. The milestones are related to the time schedule for each milestone and the delivery of process guidance materials from NACD. Interim self-evaluations will be required at six month intervals: January 1 and July 1 of each year.

Schedule of Commitments to Milestones

Milestone 1: The company's Responsible Distribution Company Code Coordinator is designated.

Milestone 2: The designated Company Code Coordinator has attended an NACD-sponsored training seminar.

Milestone 3: The requirements of the Process are reviewed with the management.

Milestone 4: Management conducts an initial assessment of the company's compliance with the Process.

Milestone 5: An action plan to implement the Process is completed.

Milestone 6: The company is in compliance with the Process.
(See "Full Compliance Timetable")

Milestone 7: The program of planning and executing action is repeated and re-assessed annually.

Signed on behalf of _____
(Company)

(Name) (Position)

(Signature) (Date)

NACD Responsible Distribution Process®

Full Compliance Timetable

All companies joining the Association on or before December 31, 1992 must be in compliance with the Responsible Distribution Process® by January 1, 1995, just as current members of NACD are required to do. Members joining on January 1, 1993 or later must be in compliance by the deadlines outlined below. Therefore, all new members will have a minimum of two years and a maximum of three years to achieve compliance.

For example, a company joining NACD on June 30, 1994 will have until January 1, 1997 to be in complete compliance with the Responsible Distribution Process®.

<u>New Members Joining NACD</u>	<u>Must be in Compliance With RDP By</u>
January 1 - December 31, 1992	January 1, 1995
January 1 - December 31, 1993	January 1, 1996
January 1 - December 31, 1994	January 1, 1997
January 1 - December 31, 1995	January 1, 1998
January 1 - December 31, 1996	January 1, 1999
January 1 - December 31, 1997	January 1, 2000
January 1 - December 31, 1998	January 1, 2001
January 1 - December 31, 1999	January 1, 2002
January 1 - December 31, 2000	January 1, 2003
etc.	

NACD Responsible Distribution Process®

Code of Management Practice

Each member company shall have an active program designed to continuously improve safety and reduce incidents. This program shall include:

I. Risk Management

- A. Senior management commitment, through policy, communications, and resources, to on-going improvements in chemical distribution safety.
- B. Regular review with manufacturers of the hazards of materials, the likelihood of accidents or releases, the potential for human and environmental exposure from release of the materials, and the route and method of transport.
- C. Identification and implementation of risk reduction measures.

II. Compliance Review and Training

- A. A process for monitoring regulations and industry standards for their application to chemical distribution activities.
- B. A process for implementing applicable regulations and standards that apply to chemical distribution activities.
- C. Training for all employees in the implementation of applicable regulations, as well as member company's specific requirements.
- D. Regular reviews of employee, outside contractor, and re-seller compliance with applicable regulations and member company's specific requirements.

III. Carrier Selection

- A. A process for selecting carriers to transport chemicals that includes carrier safety fitness, regulatory compliance, and regular performance reviews.

- B. Regular review of customer and supplier programs for qualifying carriers selected to transport chemicals to ensure that such programs include safety fitness criteria.

IV. Handling and Storage

- A. Procedures for ensuring that containers are appropriate for the chemical being shipped, comply with performance standards and certification requirements, and are free of leaks and visible defects.
- B. Criteria for the cleaning and re-use of transportation equipment and chemical containers, and the proper disposal of cleaning residues.
- C. Procedures for loading and unloading chemicals at the member company's facilities that result in protection of personnel, a reduction in emissions to the environment, and ensures that chemicals are loaded and unloaded into and out of proper storage facilities.
- D. A program for providing manufacturer guidance and information to customers and other receivers on procedures for loading, unloading, and storing chemicals.
- E. A process for selecting owned and contracted facilities and sites for chemical storage or handling that emphasizes safety fitness and includes regular reviews of such fitness.
- F. Documentation of current operating procedures.
- G. Facility design, construction, maintenance, inspection, and security practices that promote facility integrity, consistent with recognized codes and regulations.
- H. Provisions for control of processes and equipment during emergencies resulting from natural events, utility disruptions, and other external conditions.

V. Job Procedures and Training

- A. Identification of the skills and knowledge necessary to perform each job.
- B. Establishment of procedures and work practices for safe operating and maintenance activities.

- C. Training for all personnel, including outside contract personnel as appropriate, to reach and maintain proficiency in safe work practices and the skills and knowledge necessary to perform their job, including confirmation of job competence.
- D. Programs designed to assure that personnel in safety critical jobs are fit for duty and are not compromised by external influences, including alcohol and drug abuse.

VI. Waste Management

- A. Procedures to ensure that all self-generated waste and empty containers are disposed of in a responsible manner, and in accordance with existing regulations.
- B. Encouragement of waste reduction programs or procedures, giving preference first to source reduction, second to re-cycle/re-use, third to treatment, and fourth to disposal.

VII. Emergency Response and Public Preparedness

- A. A process for responding to, reporting on, and investigating chemical distribution incidents and releases involving the member company's chemicals, and implementation of appropriate preventative measures developed from that investigative process.
- B. A system of internal investigation, reporting, appropriate corrective action, and follow-up for each incident that results or could have resulted in a fire, explosion, or accidental chemical release.
- C. Procedures for making emergency response information concerning the member company's chemicals available to response agencies.
- D. Communication with state and local emergency planning and response organizations on the potential hazards of the member company's chemicals.
- E. Annual review, testing, and assessment of the operability of the member company's written emergency response plan.
- F. Facility tours for first responders to promote emergency preparedness and to provide current knowledge of facility operations.

- G. Coordination of the written facility emergency response plan with the local emergency response team and other facilities. If no community plan exists, the facility should assist with efforts to create one.
- H. Participation in the Local Emergency Planning Committee's process to develop and periodically test the local emergency response plan.

VIII. Community Outreach

- A. Interaction with organizations, associations or government officials to speak on behalf of NACD's Responsible Distribution Process®.
- B. Information and updates for employees on the Chemical Distribution Process® to encourage key employees to become involved in community outreach efforts.
- C. Advocacy of responsible public policies and regulations for chemical distribution.

IX. Product Stewardship – End-Use Customers

- A. Work with end-use customers to foster proper use, handling and disposal of products commensurate with product risk. If necessary, the company may decide to cease doing business with customers who are unwilling to implement appropriate actions.

Re-Seller Customers

- B. A policy which clearly establishes the objectives of this Code as they apply to re-sellers.
- C. Assessment of a re-seller's performance as appropriate against the Code.
- D. Follow-up actions to cause the re-seller to correct shortcomings including, if necessary, termination of supply.
- E. A feedback process that ensures that re-sellers understand the expectations of the Responsible Distribution Process®.
- F. A system of response to requests for information from any point in the distribution chain concerning chemical products and services supplied by the member company.

NACD Responsible Distribution Process®

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(Company)

(Name) (Position)

(Signature) (Date)

NACD Responsible Distribution Process®

Full Compliance Timetable

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New Members Joining NACD

Must be in Compliance With RDP By

January 1 - December 31, 1992	January 1, 1995
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January 1 - December 31, 1994	January 1, 1997
January 1 - December 31, 1995	January 1, 1998
January 1 - December 31, 1996	January 1, 1999
January 1 - December 31, 1997	January 1, 2000
January 1 - December 31, 1998	January 1, 2001
January 1 - December 31, 1999	January 1, 2002
January 1 - December 31, 2000	January 1, 2003
etc.	

ANGELES CHEMICAL CO. - JOHN & JANYCE LOCKE01-16-1995 15:34:46 Pg 1

Compounding period...: Monthly

Nominal annual rate...: 7.500 %
Effective annual rate: 7.763 %
Periodic rate.....: 0.6250 %
Equivalent daily rate: 0.02055 %

CASH FLOW DATA

Event	Date	Amount	#	Period	End-date
1 Loan	01-01-94	216,000.00	1		
2 Payment	01-01-94	2,000.00	177	Monthly	09-01-08
3 Payment	10-01-08	2,663.18	1		

0002510

NP - Value added

AMORTIZATION SCHEDULE - Normal amortization

Pmt	Date	Payment	Interest	Principal	Balance
Loan	01-01-1994				216,000.00
1	01-01-1994	2,000.00	0.00	2,000.00	214,000.00
2	02-01-1994	2,000.00	1,337.50	662.50	213,337.50
3	03-01-1994	2,000.00	1,333.36	666.64	212,670.86
4	04-01-1994	2,000.00	1,329.19	670.81	212,000.05
5	05-01-1994	2,000.00	1,325.00	675.00	211,325.05
6	06-01-1994	2,000.00	1,320.78	679.22	210,645.83
7	07-01-1994	2,000.00	1,316.54	683.46	209,962.37
8	08-01-1994	2,000.00	1,312.26	687.74	209,274.63
9	09-01-1994	2,000.00	1,307.97	692.03	208,582.60
10	10-01-1994	2,000.00	1,303.64	696.36	207,886.24
11	11-01-1994	2,000.00	1,299.29	700.71	207,185.53
12	12-01-1994	2,000.00	1,294.91	705.09	206,480.44
1994	total	24,000.00	14,480.44	9,519.56	
13	01-01-1995	2,000.00	1,290.50	709.50	205,770.94
14	02-01-1995	2,000.00	1,286.07	713.93	205,057.01
15	03-01-1995	2,000.00	1,281.61	718.39	204,338.62
16	04-01-1995	2,000.00	1,277.12	722.88	203,615.74
17	05-01-1995	2,000.00	1,272.60	727.40	202,888.34
18	06-01-1995	2,000.00	1,268.05	731.95	202,156.39
19	07-01-1995	2,000.00	1,263.48	736.52	201,419.87
20	08-01-1995	2,000.00	1,258.87	741.13	200,678.74
21	09-01-1995	2,000.00	1,254.24	745.76	199,932.98
22	10-01-1995	2,000.00	1,249.58	750.42	199,182.56
23	11-01-1995	2,000.00	1,244.89	755.11	198,427.45
24	12-01-1995	2,000.00	1,240.17	759.83	197,667.62
1995	totals	24,000.00	15,187.18	8,812.82	
25	01-01-1996	2,000.00	1,235.42	764.58	196,903.04
26	02-01-1996	2,000.00	1,230.64	769.36	196,133.68
27	03-01-1996	2,000.00	1,225.84	774.16	195,359.52
28	04-01-1996	2,000.00	1,221.00	779.00	194,580.52
29	05-01-1996	2,000.00	1,216.13	783.87	193,796.65
30	06-01-1996	2,000.00	1,211.23	788.77	193,007.88
31	07-01-1996	2,000.00	1,206.30	793.70	192,214.18
32	08-01-1996	2,000.00	1,201.34	798.66	191,415.52
33	09-01-1996	2,000.00	1,196.35	803.65	190,611.87
34	10-01-1996	2,000.00	1,191.32	808.68	189,803.19
35	11-01-1996	2,000.00	1,186.27	813.73	188,989.46
36	12-01-1996	2,000.00	1,181.18	818.82	188,170.64
1996	total	24,000.00	14,503.02	9,496.98	
37	01-01-1997	2,000.00	1,176.07	823.93	187,346.71
38	02-01-1997	2,000.00	1,170.92	829.08	186,517.63
39	03-01-1997	2,000.00	1,165.74	834.26	185,683.37
40	04-01-1997	2,000.00	1,160.52	839.48	184,843.89
41	05-01-1997	2,000.00	1,155.27	844.73	183,999.16
42	06-01-1997	2,000.00	1,149.99	850.01	183,149.15
43	07-01-1997	2,000.00	1,144.68	855.32	182,293.83

ANGELES CHEMICAL CO. - JOHN & JANYCE LOCKE

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Pmt	Date	Payment	Interest	Principal	Balance
44	08-01-1997	2,000.00	1,139.34	860.66	181,433.17
45	09-01-1997	2,000.00	1,133.96	866.04	180,567.13
46	10-01-1997	2,000.00	1,128.54	871.46	179,695.67
47	11-01-1997	2,000.00	1,123.10	876.90	178,818.77
48	12-01-1997	2,000.00	1,117.62	882.38	177,936.39
1997	total	24,000.00	13,765.75	10,234.25	
49	01-01-1998	2,000.00	1,112.10	887.90	177,048.49
50	02-01-1998	2,000.00	1,106.55	893.45	176,155.04
51	03-01-1998	2,000.00	1,100.97	899.03	175,256.01
52	04-01-1998	2,000.00	1,095.35	904.65	174,351.36
53	05-01-1998	2,000.00	1,089.70	910.30	173,441.06
54	06-01-1998	2,000.00	1,084.01	915.99	172,525.07
55	07-01-1998	2,000.00	1,078.28	921.72	171,603.35
56	08-01-1998	2,000.00	1,072.52	927.48	170,675.87
57	09-01-1998	2,000.00	1,066.72	933.28	169,742.59
58	10-01-1998	2,000.00	1,060.89	939.11	168,803.48
59	11-01-1998	2,000.00	1,055.02	944.98	167,858.50
60	12-01-1998	2,000.00	1,049.12	950.88	166,907.62
1998	total	24,000.00	12,971.23	11,028.77	
61	01-01-1999	2,000.00	1,043.17	956.83	165,950.79
62	02-01-1999	2,000.00	1,037.19	962.81	164,987.98
63	03-01-1999	2,000.00	1,031.17	968.83	164,019.15
64	04-01-1999	2,000.00	1,025.12	974.88	163,044.27
65	05-01-1999	2,000.00	1,019.03	980.97	162,063.30
66	06-01-1999	2,000.00	1,012.90	987.10	161,076.20
67	07-01-1999	2,000.00	1,006.73	993.27	160,082.93
68	08-01-1999	2,000.00	1,000.52	999.48	159,083.45
69	09-01-1999	2,000.00	994.27	1,005.73	158,077.72
70	10-01-1999	2,000.00	987.99	1,012.01	157,065.71
71	11-01-1999	2,000.00	981.66	1,018.34	156,047.37
72	12-01-1999	2,000.00	975.30	1,024.70	155,022.67
1999	total	24,000.00	12,115.05	11,884.95	
73	01-01-2000	2,000.00	968.89	1,031.11	153,991.56
74	02-01-2000	2,000.00	962.45	1,037.55	152,954.01
75	03-01-2000	2,000.00	955.96	1,044.04	151,909.97
76	04-01-2000	2,000.00	949.44	1,050.56	150,859.41
77	05-01-2000	2,000.00	942.87	1,057.13	149,802.28
78	06-01-2000	2,000.00	936.26	1,063.74	148,738.54
79	07-01-2000	2,000.00	929.62	1,070.38	147,668.16
80	08-01-2000	2,000.00	922.93	1,077.07	146,591.09
81	09-01-2000	2,000.00	916.19	1,083.81	145,507.28
82	10-01-2000	2,000.00	909.42	1,090.58	144,416.70
83	11-01-2000	2,000.00	902.60	1,097.40	143,319.30
84	12-01-2000	2,000.00	895.75	1,104.25	142,215.05
2000	total	24,000.00	11,192.38	12,807.62	

ANGELES CHEMICAL CO. - JOHN & JANYCE LOCKE

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Pmt	Date	Payment	Interest	Principal	Balance
85	01-01-2001	2,000.00	888.84	1,111.16	141,103.89
86	02-01-2001	2,000.00	881.90	1,118.10	139,985.79
87	03-01-2001	2,000.00	874.91	1,125.09	138,860.70
88	04-01-2001	2,000.00	867.88	1,132.12	137,728.58
89	05-01-2001	2,000.00	860.80	1,139.20	136,589.38
90	06-01-2001	2,000.00	853.68	1,146.32	135,443.06
91	07-01-2001	2,000.00	846.52	1,153.48	134,289.58
92	08-01-2001	2,000.00	839.31	1,160.69	133,128.89
93	09-01-2001	2,000.00	832.06	1,167.94	131,960.95
94	10-01-2001	2,000.00	824.76	1,175.24	130,785.71
95	11-01-2001	2,000.00	817.41	1,182.59	129,603.12
96	12-01-2001	2,000.00	810.02	1,189.98	128,413.14
2001	total	24,000.00	10,198.09	13,801.91	
97	01-01-2002	2,000.00	802.58	1,197.42	127,215.72
98	02-01-2002	2,000.00	795.10	1,204.90	126,010.82
99	03-01-2002	2,000.00	787.57	1,212.43	124,798.39
100	04-01-2002	2,000.00	779.99	1,220.01	123,578.38
101	05-01-2002	2,000.00	772.36	1,227.64	122,350.74
102	06-01-2002	2,000.00	764.69	1,235.31	121,115.43
103	07-01-2002	2,000.00	756.97	1,243.03	119,872.40
104	08-01-2002	2,000.00	749.20	1,250.80	118,621.60
105	09-01-2002	2,000.00	741.39	1,258.61	117,362.99
106	10-01-2002	2,000.00	733.52	1,266.48	116,096.51
107	11-01-2002	2,000.00	725.60	1,274.40	114,822.11
108	12-01-2002	2,000.00	717.64	1,282.36	113,539.75
2002	total	24,000.00	9,126.61	14,873.39	
109	01-01-2003	2,000.00	709.62	1,290.38	112,249.37
110	02-01-2003	2,000.00	701.56	1,298.44	110,950.93
111	03-01-2003	2,000.00	693.44	1,306.56	109,644.37
112	04-01-2003	2,000.00	685.28	1,314.72	108,329.65
113	05-01-2003	2,000.00	677.06	1,322.94	107,006.71
114	06-01-2003	2,000.00	668.79	1,331.21	105,675.50
115	07-01-2003	2,000.00	660.47	1,339.53	104,335.97
116	08-01-2003	2,000.00	652.10	1,347.90	102,988.07
117	09-01-2003	2,000.00	643.68	1,356.32	101,631.75
118	10-01-2003	2,000.00	635.20	1,364.80	100,266.95
119	11-01-2003	2,000.00	626.67	1,373.33	98,893.62
120	12-01-2003	2,000.00	618.09	1,381.91	97,511.71
2003	totals	24,000.00	7,971.96	16,028.04	
121	01-01-2004	2,000.00	609.45	1,390.55	96,121.16
122	02-01-2004	2,000.00	600.76	1,399.24	94,721.92
123	03-01-2004	2,000.00	592.01	1,407.99	93,313.93
124	04-01-2004	2,000.00	583.21	1,416.79	91,897.14
125	05-01-2004	2,000.00	574.36	1,425.64	90,471.50
126	06-01-2004	2,000.00	565.45	1,434.55	89,036.95
127	07-01-2004	2,000.00	556.48	1,443.52	87,593.43

ANGELES CHEMICAL CO. - JOHN & JANYCE LOCKE

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Pmt	Date	Payment	Interest	Principal	Balance
128	08-01-2004	2,000.00	547.46	1,452.54	86,140.89
129	09-01-2004	2,000.00	538.38	1,461.62	84,679.27
130	10-01-2004	2,000.00	529.25	1,470.75	83,208.52
131	11-01-2004	2,000.00	520.05	1,479.95	81,728.57
132	12-01-2004	2,000.00	510.80	1,489.20	80,239.37
2004	total	24,000.00	6,727.66	17,272.34	
133	01-01-2005	2,000.00	501.50	1,498.50	78,740.87
134	02-01-2005	2,000.00	492.13	1,507.87	77,233.00
135	03-01-2005	2,000.00	482.71	1,517.29	75,715.71
136	04-01-2005	2,000.00	473.22	1,526.78	74,188.93
137	05-01-2005	2,000.00	463.68	1,536.32	72,652.61
138	06-01-2005	2,000.00	454.08	1,545.92	71,106.69
139	07-01-2005	2,000.00	444.42	1,555.58	69,551.11
140	08-01-2005	2,000.00	434.69	1,565.31	67,985.80
141	09-01-2005	2,000.00	424.91	1,575.09	66,410.71
142	10-01-2005	2,000.00	415.07	1,584.93	64,825.78
143	11-01-2005	2,000.00	405.16	1,594.84	63,230.94
144	12-01-2005	2,000.00	395.19	1,604.81	61,626.13
2005	total	24,000.00	5,386.76	18,613.24	
145	01-01-2006	2,000.00	385.16	1,614.84	60,011.29
146	02-01-2006	2,000.00	375.07	1,624.93	58,386.36
147	03-01-2006	2,000.00	364.91	1,635.09	56,751.27
148	04-01-2006	2,000.00	354.70	1,645.30	55,105.97
149	05-01-2006	2,000.00	344.41	1,655.59	53,450.38
150	06-01-2006	2,000.00	334.06	1,665.94	51,784.44
151	07-01-2006	2,000.00	323.65	1,676.35	50,108.09
152	08-01-2006	2,000.00	313.18	1,686.82	48,421.27
153	09-01-2006	2,000.00	302.63	1,697.37	46,723.90
154	10-01-2006	2,000.00	292.02	1,707.98	45,015.92
155	11-01-2006	2,000.00	281.35	1,718.65	43,297.27
156	12-01-2006	2,000.00	270.61	1,729.39	41,567.88
2006	total	24,000.00	3,941.75	20,058.25	
157	01-01-2007	2,000.00	259.80	1,740.20	39,827.68
158	02-01-2007	2,000.00	248.92	1,751.08	38,076.60
159	03-01-2007	2,000.00	237.98	1,762.02	36,314.58
160	04-01-2007	2,000.00	226.97	1,773.03	34,541.55
161	05-01-2007	2,000.00	215.88	1,784.12	32,757.43
162	06-01-2007	2,000.00	204.73	1,795.27	30,962.16
163	07-01-2007	2,000.00	193.51	1,806.49	29,155.67
164	08-01-2007	2,000.00	182.22	1,817.78	27,337.89
165	09-01-2007	2,000.00	170.86	1,829.14	25,508.75
166	10-01-2007	2,000.00	159.43	1,840.57	23,668.18
167	11-01-2007	2,000.00	147.93	1,852.07	21,816.11
168	12-01-2007	2,000.00	136.35	1,863.65	19,952.46
2007	total	24,000.00	2,384.38	21,615.42	

ANGELES CHEMICAL CO. - JOHN & JANYCE LOCKE01-16-1995 15:34:47 Pg 6

Pmt	Date	Payment	Interest	Principal	Balance
169	01-01-2008	2,000.00	124.70	1,875.30	18,077.16
170	02-01-2008	2,000.00	112.98	1,887.02	16,190.14
171	03-01-2008	2,000.00	101.19	1,898.81	14,291.33
172	04-01-2008	2,000.00	89.32	1,910.68	12,380.65
173	05-01-2008	2,000.00	77.38	1,922.62	10,458.03
174	06-01-2008	2,000.00	65.36	1,934.64	8,523.39
175	07-01-2008	2,000.00	53.27	1,946.73	6,576.66
176	08-01-2008	2,000.00	41.10	1,958.90	4,617.76
177	09-01-2008	2,000.00	28.86	1,971.14	2,646.62
178	10-01-2008	2,663.18	16.56	2,646.62	0.00
2008	totals	20,663.18	710.72	19,952.46	
Grand total		356,663.18	140,663.18	216,000.00	

* ANNUAL	* FINANCE	* AMOUNT	TOTAL OF
* PERCENTAGE	* CHARGE	* FINANCED	PAYMENTS
* RATE	* The dollar amount	* The amount of	The amount you
* The cost of your	* the credit will	* credit provided	will have paid
* credit a a	* cost you.	* to you or on	after you have
* yearly rate.	*	* your behalf.	made all payments
*	*	*	a scheduled.
*	*	*	
* 7.50	* 140,663.18	* 216,000.00	356,663.18

ANGELES CHEMICAL CO. - ARNOLD & PEARL ROSENTHAL 01-16-1995 15:38:14 Pg 1

Compounding period...: Monthly

Nominal annual rate...: 7.500 %
Effective annual rate: 7.763 %
Periodic rate.....: 0.6250 %
Equivalent daily rate: 0.02055 %

CASH FLO DATA

Event	Date	Amount	#	Period	End-date
1 Loan	01-01-94	216,000.00	1		
2 Payment	01-01-94	2,000.00	177	Monthly	09-01-08
3 Payment	10-01-08	2,663.18	1		

#238520

NP - A. Rosenthal

AMORTIZATION SCHEDULE - Normal amortization

Pmt	Date	Payment	Interest	Principal	Balance
Loan	01-01-1994				216,000.00
1	01-01-1994	2,000.00	0.00	2,000.00	214,000.00
2	02-01-1994	2,000.00	1,337.50	662.50	213,337.50
3	03-01-1994	2,000.00	1,333.36	666.64	212,670.86
4	04-01-1994	2,000.00	1,329.19	670.81	212,000.05
5	05-01-1994	2,000.00	1,325.00	675.00	211,325.05
6	06-01-1994	2,000.00	1,320.78	679.22	210,645.83
7	07-01-1994	2,000.00	1,316.54	683.46	209,962.37
8	08-01-1994	2,000.00	1,312.26	687.74	209,274.63
9	09-01-1994	2,000.00	1,307.97	692.03	208,582.60
10	10-01-1994	2,000.00	1,303.64	696.36	207,886.24
11	11-01-1994	2,000.00	1,299.29	700.71	207,185.53
12	12-01-1994	2,000.00	1,294.91	705.09	206,480.44
1994	total	24,000.00	14,480.44	9,519.56	
13	01-01-1995	2,000.00	1,290.50	709.50	205,770.94
14	02-01-1995	2,000.00	1,286.07	713.93	205,057.01
15	03-01-1995	2,000.00	1,281.61	718.39	204,338.62
16	04-01-1995	2,000.00	1,277.12	722.88	203,615.74
17	05-01-1995	2,000.00	1,272.60	727.40	202,888.34
18	06-01-1995	2,000.00	1,268.05	731.95	202,156.39
19	07-01-1995	2,000.00	1,263.48	736.52	201,419.87
20	08-01-1995	2,000.00	1,258.87	741.13	200,678.74
21	09-01-1995	2,000.00	1,254.24	745.76	199,932.98
22	10-01-1995	2,000.00	1,249.58	750.42	199,182.56
23	11-01-1995	2,000.00	1,244.89	755.11	198,427.45
24	12-01-1995	2,000.00	1,240.17	759.83	197,667.62
1995	total	24,000.00	15,187.18	8,812.82	
25	01-01-1996	2,000.00	1,235.42	764.58	196,903.04
26	02-01-1996	2,000.00	1,230.64	769.36	196,133.68
27	03-01-1996	2,000.00	1,225.84	774.16	195,359.52
28	04-01-1996	2,000.00	1,221.00	779.00	194,580.52
29	05-01-1996	2,000.00	1,216.13	783.87	193,796.65
30	06-01-1996	2,000.00	1,211.23	788.77	193,007.88
31	07-01-1996	2,000.00	1,206.30	793.70	192,214.18
32	08-01-1996	2,000.00	1,201.34	798.66	191,415.52
33	09-01-1996	2,000.00	1,196.35	803.65	190,611.87
34	10-01-1996	2,000.00	1,191.32	808.68	189,803.19
35	11-01-1996	2,000.00	1,186.27	813.73	188,989.46
36	12-01-1996	2,000.00	1,181.18	818.82	188,170.64
1996	total	24,000.00	14,503.02	9,496.98	
37	01-01-1997	2,000.00	1,176.07	823.93	187,346.71
38	02-01-1997	2,000.00	1,170.92	829.08	186,517.63
39	03-01-1997	2,000.00	1,165.74	834.26	185,683.37
40	04-01-1997	2,000.00	1,160.52	839.48	184,843.89
41	05-01-1997	2,000.00	1,155.27	844.73	183,999.16
42	06-01-1997	2,000.00	1,149.99	850.01	183,149.15
43	07-01-1997	2,000.00	1,144.68	855.32	182,293.83

ANGELES CHEMICAL CO. - ARNOLD & PEARL ROSENTHAL 01-16-1995 15:38:14 Pg 3

Pmt	Date	Payment	Interest	Principal	Balance
44	08-01-1997	2,000.00	1,139.34	860.66	181,433.17
45	09-01-1997	2,000.00	1,133.96	866.04	180,567.13
46	10-01-1997	2,000.00	1,128.54	871.46	179,695.67
47	11-01-1997	2,000.00	1,123.10	876.90	178,818.77
48	12-01-1997	2,000.00	1,117.62	882.38	177,936.39
1997	total	24,000.00	13,765.75	10,234.25	
49	01-01-1998	2,000.00	1,112.10	887.90	177,048.49
50	02-01-1998	2,000.00	1,106.55	893.45	176,155.04
51	03-01-1998	2,000.00	1,100.97	899.03	175,256.01
52	04-01-1998	2,000.00	1,095.35	904.65	174,351.36
53	05-01-1998	2,000.00	1,089.70	910.30	173,441.06
54	06-01-1998	2,000.00	1,084.01	915.99	172,525.07
55	07-01-1998	2,000.00	1,078.28	921.72	171,603.35
56	08-01-1998	2,000.00	1,072.52	927.48	170,675.87
57	09-01-1998	2,000.00	1,066.72	933.28	169,742.59
58	10-01-1998	2,000.00	1,060.89	939.11	168,803.48
59	11-01-1998	2,000.00	1,055.02	944.98	167,858.50
60	12-01-1998	2,000.00	1,049.12	950.88	166,907.62
1998	total	24,000.00	12,971.23	11,028.77	
61	01-01-1999	2,000.00	1,043.17	956.83	165,950.79
62	02-01-1999	2,000.00	1,037.19	962.81	164,987.98
63	03-01-1999	2,000.00	1,031.17	968.83	164,019.15
64	04-01-1999	2,000.00	1,025.12	974.88	163,044.27
65	05-01-1999	2,000.00	1,019.03	980.97	162,063.30
66	06-01-1999	2,000.00	1,012.90	987.10	161,076.20
67	07-01-1999	2,000.00	1,006.73	993.27	160,082.93
68	08-01-1999	2,000.00	1,000.52	999.48	159,083.45
69	09-01-1999	2,000.00	994.27	1,005.73	158,077.72
70	10-01-1999	2,000.00	987.99	1,012.01	157,065.71
71	11-01-1999	2,000.00	981.66	1,018.34	156,047.37
72	12-01-1999	2,000.00	975.30	1,024.70	155,022.67
1999	total	24,000.00	12,115.05	11,884.95	
73	01-01-2000	2,000.00	968.89	1,031.11	153,991.56
74	02-01-2000	2,000.00	962.45	1,037.55	152,954.01
75	03-01-2000	2,000.00	955.96	1,044.04	151,909.97
76	04-01-2000	2,000.00	949.44	1,050.56	150,859.41
77	05-01-2000	2,000.00	942.87	1,057.13	149,802.28
78	06-01-2000	2,000.00	936.26	1,063.74	148,738.54
79	07-01-2000	2,000.00	929.62	1,070.38	147,668.16
80	08-01-2000	2,000.00	922.93	1,077.07	146,591.09
81	09-01-2000	2,000.00	916.19	1,083.81	145,507.28
82	10-01-2000	2,000.00	909.42	1,090.58	144,416.70
83	11-01-2000	2,000.00	902.60	1,097.40	143,319.30
84	12-01-2000	2,000.00	895.75	1,104.25	142,215.05
2000	totals	24,000.00	11,192.38	12,807.62	

 ANGELES CHEMICAL CO. - ARNOLD & PEARL ROSENTHAL 01-16-1995 15:38:15 Pg 4

Pmt	Date	Payment	Interest	Principal	Balance
85	01-01-2001	2,000.00	888.84	1,111.16	141,103.89
86	02-01-2001	2,000.00	881.90	1,118.10	139,985.79
87	03-01-2001	2,000.00	874.91	1,125.09	138,860.70
88	04-01-2001	2,000.00	867.88	1,132.12	137,728.58
89	05-01-2001	2,000.00	860.80	1,139.20	136,589.38
90	06-01-2001	2,000.00	853.68	1,146.32	135,443.06
91	07-01-2001	2,000.00	846.52	1,153.48	134,289.58
92	08-01-2001	2,000.00	839.31	1,160.69	133,128.89
93	09-01-2001	2,000.00	832.06	1,167.94	131,960.95
94	10-01-2001	2,000.00	824.76	1,175.24	130,785.71
95	11-01-2001	2,000.00	817.41	1,182.59	129,603.12
96	12-01-2001	2,000.00	810.02	1,189.98	128,413.14
2001	total	24,000.00	10,198.09	13,801.91	
97	01-01-2002	2,000.00	802.58	1,197.42	127,215.72
98	02-01-2002	2,000.00	795.10	1,204.90	126,010.82
99	03-01-2002	2,000.00	787.57	1,212.43	124,798.39
100	04-01-2002	2,000.00	779.99	1,220.01	123,578.38
101	05-01-2002	2,000.00	772.36	1,227.64	122,350.74
102	06-01-2002	2,000.00	764.69	1,235.31	121,115.43
103	07-01-2002	2,000.00	756.97	1,243.03	119,872.40
104	08-01-2002	2,000.00	749.20	1,250.80	118,621.60
105	09-01-2002	2,000.00	741.39	1,258.61	117,362.99
106	10-01-2002	2,000.00	733.52	1,266.48	116,096.51
107	11-01-2002	2,000.00	725.60	1,274.40	114,822.11
108	12-01-2002	2,000.00	717.64	1,282.36	113,539.75
2002	total	24,000.00	9,126.61	14,873.39	
109	01-01-2003	2,000.00	709.62	1,290.38	112,249.37
110	02-01-2003	2,000.00	701.56	1,298.44	110,950.93
111	03-01-2003	2,000.00	693.44	1,306.56	109,644.37
112	04-01-2003	2,000.00	685.28	1,314.72	108,329.65
113	05-01-2003	2,000.00	677.06	1,322.94	107,006.71
114	06-01-2003	2,000.00	668.79	1,331.21	105,675.50
115	07-01-2003	2,000.00	660.47	1,339.53	104,335.97
116	08-01-2003	2,000.00	652.10	1,347.90	102,988.07
117	09-01-2003	2,000.00	643.68	1,356.32	101,631.75
118	10-01-2003	2,000.00	635.20	1,364.80	100,266.95
119	11-01-2003	2,000.00	626.67	1,373.33	98,893.62
120	12-01-2003	2,000.00	618.09	1,381.91	97,511.71
2003	total	24,000.00	7,971.96	16,028.04	
121	01-01-2004	2,000.00	609.45	1,390.55	96,121.16
122	02-01-2004	2,000.00	600.76	1,399.24	94,721.92
123	03-01-2004	2,000.00	592.01	1,407.99	93,313.93
124	04-01-2004	2,000.00	583.21	1,416.79	91,897.14
125	05-01-2004	2,000.00	574.36	1,425.64	90,471.50
126	06-01-2004	2,000.00	565.45	1,434.55	89,036.95
127	07-01-2004	2,000.00	556.48	1,443.52	87,593.43

ANGELES CHEMICAL CO. - ARNOLD & PEARL ROSENTHAL 01-16-1995 15:38:15 Pg 5

Pmt	Date	Payment	Interest	Principal	Balance
128	08-01-2004	2,000.00	547.46	1,452.54	86,140.89
129	09-01-2004	2,000.00	538.38	1,461.62	84,679.27
130	10-01-2004	2,000.00	529.25	1,470.75	83,208.52
131	11-01-2004	2,000.00	520.05	1,479.95	81,728.57
132	12-01-2004	2,000.00	510.80	1,489.20	80,239.37
2004	total	24,000.00	6,727.66	17,272.34	
133	01-01-2005	2,000.00	501.50	1,498.50	78,740.87
134	02-01-2005	2,000.00	492.13	1,507.87	77,233.00
135	03-01-2005	2,000.00	482.71	1,517.29	75,715.71
136	04-01-2005	2,000.00	473.22	1,526.78	74,188.93
137	05-01-2005	2,000.00	463.68	1,536.32	72,652.61
138	06-01-2005	2,000.00	454.08	1,545.92	71,106.69
139	07-01-2005	2,000.00	444.42	1,555.58	69,551.11
140	08-01-2005	2,000.00	434.69	1,565.31	67,985.80
141	09-01-2005	2,000.00	424.91	1,575.09	66,410.71
142	10-01-2005	2,000.00	415.07	1,584.93	64,825.78
143	11-01-2005	2,000.00	405.16	1,594.84	63,230.94
144	12-01-2005	2,000.00	395.19	1,604.81	61,626.13
2005	total	24,000.00	5,386.76	18,613.24	
145	01-01-2006	2,000.00	385.16	1,614.84	60,011.29
146	02-01-2006	2,000.00	375.07	1,624.93	58,386.36
147	03-01-2006	2,000.00	364.91	1,635.09	56,751.27
148	04-01-2006	2,000.00	354.70	1,645.30	55,105.97
149	05-01-2006	2,000.00	344.41	1,655.59	53,450.38
150	06-01-2006	2,000.00	334.06	1,665.94	51,784.44
151	07-01-2006	2,000.00	323.65	1,676.35	50,108.09
152	08-01-2006	2,000.00	313.18	1,686.82	48,421.27
153	09-01-2006	2,000.00	302.63	1,697.37	46,723.90
154	10-01-2006	2,000.00	292.02	1,707.98	45,015.92
155	11-01-2006	2,000.00	281.35	1,718.65	43,297.27
156	12-01-2006	2,000.00	270.61	1,729.39	41,567.88
2006	total	24,000.00	3,941.75	20,058.25	
157	01-01-2007	2,000.00	259.80	1,740.20	39,827.68
158	02-01-2007	2,000.00	248.92	1,751.08	38,076.60
159	03-01-2007	2,000.00	237.98	1,762.02	36,314.58
160	04-01-2007	2,000.00	226.97	1,773.03	34,541.55
161	05-01-2007	2,000.00	215.88	1,784.12	32,757.43
162	06-01-2007	2,000.00	204.73	1,795.27	30,962.16
163	07-01-2007	2,000.00	193.51	1,806.49	29,155.67
164	08-01-2007	2,000.00	182.22	1,817.78	27,337.89
165	09-01-2007	2,000.00	170.86	1,829.14	25,508.75
166	10-01-2007	2,000.00	159.43	1,840.57	23,668.18
167	11-01-2007	2,000.00	147.93	1,852.07	21,816.11
168	12-01-2007	2,000.00	136.35	1,863.65	19,952.46
2007	total	24,000.00	2,384.58	21,615.42	

ANGELES CHEMICAL CO. - ARNOLD & PEARL ROSENTHAL 01-16-1995 15:38:15 Pg 6

Pmt	Date	Payment	Interest	Principal	Balance
169	01-01-2008	2,000.00	124.70	1,875.30	18,077.16
170	02-01-2008	2,000.00	112.98	1,887.02	16,190.14
171	03-01-2008	2,000.00	101.19	1,898.81	14,291.33
172	04-01-2008	2,000.00	89.32	1,910.68	12,380.65
173	05-01-2008	2,000.00	77.38	1,922.62	10,458.03
174	06-01-2008	2,000.00	65.36	1,934.64	8,523.39
175	07-01-2008	2,000.00	53.27	1,946.73	6,576.66
176	08-01-2008	2,000.00	41.10	1,958.90	4,617.76
177	09-01-2008	2,000.00	28.86	1,971.14	2,646.62
178	10-01-2008	2,663.18	16.56	2,646.62	0.00
2008	total	20,663.18	710.72	19,952.46	
Grand total		356,663.18	140,663.18	216,000.00	

* ANNUAL	* FINANCE	* AMOUNT	TOTAL OF
* PERCENTAGE	* CHARGE	* FINANCED	PAYMENTS
* RATE	* The dollar amount	* The amount of	The amount you
* The cost of your	* the credit will	* credit provided	will have paid
* credit a a	* cost you.	* to you or on	after you have
* yearly rate.	*	* your behalf.	made all payments
*	*	*	a scheduled.
*	*	*	
* 7.50	* 140,663.18	* 216,000.00	356,663.18

ANGELES CHEMICAL CO. - NORMAN M. SPIELER, TRUSTEE 01-16-1995 15:39:03 Pg 1

Compounding period...: Monthly

Nominal annual rate...: 7.500 %
Effective annual rate: 7.763 %
Periodic rate.....: 0.6250 %
Equivalent daily rate: 0.02055 %

CASH FLOW DATA

	Event	Date	Amount	#	Period	End-date
1	Loan	01-01-94	216,000.00	1		
2	Payment	01-01-94	2,000.00	177	Monthly	09-01-08
3	Payment	10-01-08	2,663.18	1		

#22550

N.M. Spiel, Trustee

AMORTIZATION SCHEDULE - Normal amortization :

Pmt	Date	Payment	Interest	Principal	Balance
Loan	01-01-1994				216,000.00
1	01-01-1994	2,000.00	0.00	2,000.00	214,000.00
2	02-01-1994	2,000.00	1,337.50	662.50	213,337.50
3	03-01-1994	2,000.00	1,333.36	666.64	212,670.86
4	04-01-1994	2,000.00	1,329.19	670.81	212,000.05
5	05-01-1994	2,000.00	1,325.00	675.00	211,325.05
6	06-01-1994	2,000.00	1,320.78	679.22	210,645.83
7	07-01-1994	2,000.00	1,316.54	683.46	209,962.37
8	08-01-1994	2,000.00	1,312.26	687.74	209,274.63
9	09-01-1994	2,000.00	1,307.97	692.03	208,582.60
10	10-01-1994	2,000.00	1,303.64	696.36	207,886.24
11	11-01-1994	2,000.00	1,299.29	700.71	207,185.53
12	12-01-1994	2,000.00	1,294.91	705.09	206,480.44
1994	total	24,000.00	14,480.44	9,519.56	
13	01-01-1995	2,000.00	1,290.50	709.50	205,770.94
14	02-01-1995	2,000.00	1,286.07	713.93	205,057.01
15	03-01-1995	2,000.00	1,281.61	718.39	204,338.62
16	04-01-1995	2,000.00	1,277.12	722.88	203,615.74
17	05-01-1995	2,000.00	1,272.60	727.40	202,888.34
18	06-01-1995	2,000.00	1,268.05	731.95	202,156.39
19	07-01-1995	2,000.00	1,263.48	736.52	201,419.87
20	08-01-1995	2,000.00	1,258.87	741.13	200,678.74
21	09-01-1995	2,000.00	1,254.24	745.76	199,932.98
22	10-01-1995	2,000.00	1,249.58	750.42	199,182.56
23	11-01-1995	2,000.00	1,244.89	755.11	198,427.45
24	12-01-1995	2,000.00	1,240.17	759.83	197,667.62
1995	total	24,000.00	13,187.18	8,812.82	
25	01-01-1996	2,000.00	1,235.42	764.58	196,903.04
26	02-01-1996	2,000.00	1,230.64	769.36	196,133.68
27	03-01-1996	2,000.00	1,225.84	774.16	195,359.52
28	04-01-1996	2,000.00	1,221.00	779.00	194,580.52
29	05-01-1996	2,000.00	1,216.13	783.87	193,796.65
30	06-01-1996	2,000.00	1,211.23	788.77	193,007.88
31	07-01-1996	2,000.00	1,206.30	793.70	192,214.18
32	08-01-1996	2,000.00	1,201.34	798.66	191,415.52
33	09-01-1996	2,000.00	1,196.35	803.65	190,611.87
34	10-01-1996	2,000.00	1,191.32	808.68	189,803.19
35	11-01-1996	2,000.00	1,186.27	813.73	188,989.46
36	12-01-1996	2,000.00	1,181.18	818.82	188,170.64
1996	total	24,000.00	14,503.02	9,496.98	
37	01-01-1997	2,000.00	1,176.07	823.93	187,346.71
38	02-01-1997	2,000.00	1,170.92	829.08	186,517.63
39	03-01-1997	2,000.00	1,165.74	834.26	185,683.37
40	04-01-1997	2,000.00	1,160.52	839.48	184,843.89
41	05-01-1997	2,000.00	1,155.27	844.73	183,999.16
42	06-01-1997	2,000.00	1,149.99	850.01	183,149.15
43	07-01-1997	2,000.00	1,144.68	855.32	182,293.83

ANGELES CHEMICAL CO. - NORMAN M. SPIELER, TRUSTEE 01-16-1995 15:39:03 Pg 3

Pmt	Date	Payment	Interest	Principal	Balance
44	08-01-1997	2,000.00	1,139.34	860.66	181,433.17
45	09-01-1997	2,000.00	1,133.96	866.04	180,567.13
46	10-01-1997	2,000.00	1,128.54	871.46	179,695.67
47	11-01-1997	2,000.00	1,123.10	876.90	178,818.77
48	12-01-1997	2,000.00	1,117.62	882.38	177,936.39
1997	total	24,000.00	13,765.75	10,234.25	
49	01-01-1998	2,000.00	1,112.10	887.90	177,048.49
50	02-01-1998	2,000.00	1,106.55	893.45	176,155.04
51	03-01-1998	2,000.00	1,100.97	899.03	175,256.01
52	04-01-1998	2,000.00	1,095.35	904.65	174,351.36
53	05-01-1998	2,000.00	1,089.70	910.30	173,441.06
54	06-01-1998	2,000.00	1,084.01	915.99	172,525.07
55	07-01-1998	2,000.00	1,078.28	921.72	171,603.35
56	08-01-1998	2,000.00	1,072.52	927.48	170,675.87
57	09-01-1998	2,000.00	1,066.72	933.28	169,742.59
58	10-01-1998	2,000.00	1,060.89	939.11	168,803.48
59	11-01-1998	2,000.00	1,055.02	944.98	167,858.50
60	12-01-1998	2,000.00	1,049.12	950.88	166,907.62
1998	totals	24,000.00	12,971.23	11,028.77	
61	01-01-1999	2,000.00	1,043.17	956.83	165,950.79
62	02-01-1999	2,000.00	1,037.19	962.81	164,987.98
63	03-01-1999	2,000.00	1,031.17	968.83	164,019.15
64	04-01-1999	2,000.00	1,025.12	974.88	163,044.27
65	05-01-1999	2,000.00	1,019.03	980.97	162,063.30
66	06-01-1999	2,000.00	1,012.90	987.10	161,076.20
67	07-01-1999	2,000.00	1,006.73	993.27	160,082.93
68	08-01-1999	2,000.00	1,000.52	999.48	159,083.45
69	09-01-1999	2,000.00	994.27	1,005.73	158,077.72
70	10-01-1999	2,000.00	987.99	1,012.01	157,065.71
71	11-01-1999	2,000.00	981.66	1,018.34	156,047.37
72	12-01-1999	2,000.00	975.30	1,024.70	155,022.67
1999	total	24,000.00	12,115.05	11,884.95	
73	01-01-2000	2,000.00	968.89	1,031.11	153,991.56
74	02-01-2000	2,000.00	962.45	1,037.55	152,954.01
75	03-01-2000	2,000.00	955.96	1,044.04	151,909.97
76	04-01-2000	2,000.00	949.44	1,050.56	150,859.41
77	05-01-2000	2,000.00	942.87	1,057.13	149,802.28
78	06-01-2000	2,000.00	936.26	1,063.74	148,738.54
79	07-01-2000	2,000.00	929.62	1,070.38	147,668.16
80	08-01-2000	2,000.00	922.93	1,077.07	146,591.09
81	09-01-2000	2,000.00	916.19	1,083.81	145,507.28
82	10-01-2000	2,000.00	909.42	1,090.58	144,416.70
83	11-01-2000	2,000.00	902.60	1,097.40	143,319.30
84	12-01-2000	2,000.00	895.75	1,104.25	142,215.05
2000	total	24,000.00	11,192.38	12,807.62	

 ANGELES CHEMICAL CO. - NORMAN M. SPIELER, TRUSTEE 01-16-1995 15:39:03 Pg 4

Pmt	Date	Payment	Interest	Principal	Balance
85	01-01-2001	2,000.00	888.84	1,111.16	141,103.89
86	02-01-2001	2,000.00	881.90	1,118.10	139,985.79
87	03-01-2001	2,000.00	874.91	1,125.09	138,860.70
88	04-01-2001	2,000.00	867.88	1,132.12	137,728.58
89	05-01-2001	2,000.00	860.80	1,139.20	136,589.38
90	06-01-2001	2,000.00	853.68	1,146.32	135,443.06
91	07-01-2001	2,000.00	846.52	1,153.48	134,289.58
92	08-01-2001	2,000.00	839.31	1,160.69	133,128.89
93	09-01-2001	2,000.00	832.06	1,167.94	131,960.95
94	10-01-2001	2,000.00	824.76	1,175.24	130,785.71
95	11-01-2001	2,000.00	817.41	1,182.59	129,603.12
96	12-01-2001	2,000.00	810.02	1,189.98	128,413.14
2001	total	24,000.00	10,198.09	13,801.91	
97	01-01-2002	2,000.00	802.58	1,197.42	127,215.72
98	02-01-2002	2,000.00	795.10	1,204.90	126,010.82
99	03-01-2002	2,000.00	787.57	1,212.43	124,798.39
100	04-01-2002	2,000.00	779.99	1,220.01	123,578.38
101	05-01-2002	2,000.00	772.36	1,227.64	122,350.74
102	06-01-2002	2,000.00	764.69	1,235.31	121,115.43
103	07-01-2002	2,000.00	756.97	1,243.03	119,872.40
104	08-01-2002	2,000.00	749.20	1,250.80	118,621.60
105	09-01-2002	2,000.00	741.39	1,258.61	117,362.99
106	10-01-2002	2,000.00	733.52	1,266.48	116,096.51
107	11-01-2002	2,000.00	725.60	1,274.40	114,822.11
108	12-01-2002	2,000.00	717.64	1,282.36	113,539.75
2002	totals	24,000.00	9,126.61	14,873.39	
109	01-01-2003	2,000.00	709.62	1,290.38	112,249.37
110	02-01-2003	2,000.00	701.56	1,298.44	110,950.93
111	03-01-2003	2,000.00	693.44	1,306.56	109,644.37
112	04-01-2003	2,000.00	685.28	1,314.72	108,329.65
113	05-01-2003	2,000.00	677.06	1,322.94	107,006.71
114	06-01-2003	2,000.00	668.79	1,331.21	105,675.50
115	07-01-2003	2,000.00	660.47	1,339.53	104,335.97
116	08-01-2003	2,000.00	652.10	1,347.90	102,988.07
117	09-01-2003	2,000.00	643.68	1,356.32	101,631.75
118	10-01-2003	2,000.00	635.20	1,364.80	100,266.95
119	11-01-2003	2,000.00	626.67	1,373.33	98,893.62
120	12-01-2003	2,000.00	618.09	1,381.91	97,511.71
2003	total	24,000.00	7,971.96	16,028.04	
121	01-01-2004	2,000.00	609.45	1,390.55	96,121.16
122	02-01-2004	2,000.00	600.76	1,399.24	94,721.92
123	03-01-2004	2,000.00	592.01	1,407.99	93,313.93
124	04-01-2004	2,000.00	583.21	1,416.79	91,897.14
125	05-01-2004	2,000.00	574.36	1,425.64	90,471.50
126	06-01-2004	2,000.00	565.45	1,434.55	89,036.95
127	07-01-2004	2,000.00	556.48	1,443.52	87,593.43

ANGELES CHEMICAL CO. - NORMAN M. SPIELER, TRUSTEE 01-16-1995 15:39:03 Pg 5

Pmt	Date	Payment	Interest	Principal	Balance
128	08-01-2004	2,000.00	547.46	1,452.54	86,140.89
129	09-01-2004	2,000.00	538.38	1,461.62	84,679.27
130	10-01-2004	2,000.00	529.25	1,470.75	83,208.52
131	11-01-2004	2,000.00	520.05	1,479.95	81,728.57
132	12-01-2004	2,000.00	510.80	1,489.20	80,239.37
2004	total	24,000.00	6,727.66	17,272.34	
133	01-01-2005	2,000.00	501.50	1,498.50	78,740.87
134	02-01-2005	2,000.00	492.13	1,507.87	77,233.00
135	03-01-2005	2,000.00	482.71	1,517.29	75,715.71
136	04-01-2005	2,000.00	473.22	1,526.78	74,188.93
137	05-01-2005	2,000.00	463.68	1,536.32	72,652.61
138	06-01-2005	2,000.00	454.08	1,545.92	71,106.69
139	07-01-2005	2,000.00	444.42	1,555.58	69,551.11
140	08-01-2005	2,000.00	434.69	1,565.31	67,985.80
141	09-01-2005	2,000.00	424.91	1,575.09	66,410.71
142	10-01-2005	2,000.00	415.07	1,584.93	64,825.78
143	11-01-2005	2,000.00	405.16	1,594.84	63,230.94
144	12-01-2005	2,000.00	395.19	1,604.81	61,626.13
2005	total	24,000.00	5,386.76	18,613.24	
145	01-01-2006	2,000.00	385.16	1,614.84	60,011.29
146	02-01-2006	2,000.00	375.07	1,624.93	58,386.36
147	03-01-2006	2,000.00	364.91	1,635.09	56,751.27
148	04-01-2006	2,000.00	354.70	1,645.30	55,105.97
149	05-01-2006	2,000.00	344.41	1,655.59	53,450.38
150	06-01-2006	2,000.00	334.06	1,665.94	51,784.44
151	07-01-2006	2,000.00	323.65	1,676.35	50,108.09
152	08-01-2006	2,000.00	313.18	1,686.82	48,421.27
153	09-01-2006	2,000.00	302.63	1,697.37	46,723.90
154	10-01-2006	2,000.00	292.02	1,707.98	45,015.92
155	11-01-2006	2,000.00	281.35	1,718.65	43,297.27
156	12-01-2006	2,000.00	270.61	1,729.39	41,567.88
2006	total	24,000.00	3,941.75	20,058.25	
157	01-01-2007	2,000.00	259.80	1,740.20	39,827.68
158	02-01-2007	2,000.00	248.92	1,751.08	38,076.60
159	03-01-2007	2,000.00	237.98	1,762.02	36,314.58
160	04-01-2007	2,000.00	226.97	1,773.03	34,541.55
161	05-01-2007	2,000.00	215.88	1,784.12	32,757.43
162	06-01-2007	2,000.00	204.73	1,795.27	30,962.16
163	07-01-2007	2,000.00	193.51	1,806.49	29,155.67
164	08-01-2007	2,000.00	182.22	1,817.78	27,337.89
165	09-01-2007	2,000.00	170.86	1,829.14	25,508.75
166	10-01-2007	2,000.00	159.43	1,840.57	23,668.18
167	11-01-2007	2,000.00	147.93	1,852.07	21,816.11
168	12-01-2007	2,000.00	136.35	1,863.65	19,952.46
2007	total	24,000.00	2,384.58	21,615.42	

ANGELES CHEMICAL CO. - NORMAN M. SPIELER, TRUSTEE 01-16-1995 15:39:04 Pg 6

Pmt	Date	Payment	Interest	Principal	Balance
169	01-01-2008	2,000.00	124.70	1,875.30	18,077.16
170	02-01-2008	2,000.00	112.98	1,887.02	16,190.14
171	03-01-2008	2,000.00	101.19	1,898.81	14,291.33
172	04-01-2008	2,000.00	89.32	1,910.68	12,380.65
173	05-01-2008	2,000.00	77.38	1,922.62	10,458.03
174	06-01-2008	2,000.00	65.36	1,934.64	8,523.39
175	07-01-2008	2,000.00	53.27	1,946.73	6,576.66
176	08-01-2008	2,000.00	41.10	1,958.90	4,617.76
177	09-01-2008	2,000.00	28.86	1,971.14	2,646.62
178	10-01-2008	2,663.18	16.56	2,646.62	0.00
2008	total	20,663.18	710.72	19,952.46	
Grand total		356,663.18	140,663.18	216,000.00	

*****	*****	*****	*****
ANNUAL	FINANCE	AMOUNT	TOTAL OF
PERCENTAGE	CHARGE	FINANCED	PAYMENTS
RATE	The dollar amount	The amount of	The amount you
The cost of your	the credit will	credit provided	will have paid
credit a a	cost you.	to you or on	after you have
yearly rate.		your behalf.	made all payments
			as scheduled.
7.50	140,663.18	216,000.00	356,663.18
*****	*****	*****	*****

①

Orchem
RMV 4/30/93

I Environmental
(OTSC)

Joe Conde, (20-426-9544) 1/18/94

- 1) CAL EPA during F93 and F94 began on-site
drilling, testing for G.W. contamination
U-2-U. Super Fund site (McKesson).

SCS help on proper work plan for investigation, etc.
State fee #274; SCS #20-254 about
other work.

Orchem exposure at 1/12/94 unknown but
Ken thinks small (< 5%) on G.W. contamination
contribution to S.F. site of Orchem.

- 2) Total environmental costs for Orchem in '94
would be \$150k (?) - declines in '95.
On going CAL EPA testing - paper work, etc.
(no in-house capability)

II Contractors List
(Spencer & Jones)

Locha - 1/19/94

2/94 - Trial - Orchem seeking up to \$350k
for possible lawsuits, testing of
improperly installed tanks located G.W.
contamination U-2-U S.F. site.

Legal costs to date - \$50k ??

(2)

III - Property Transfer

1) will be effective Oct 93. Partners will take 15yr note from Anaheim. P&T payments equal current rent. Apparently capitalizes property etc. \$650,000.

No independent FMV - just arm's length.
Interest at 7.5% (?)

2) Issues - 'What is FMV-

- Environmental Questions
- Anaheim not partners have been paying all clean up.
- Discount debt.

IV - Accounting Detail - Mahoney

F 1993

1. Freight up because of PHX + Hayward

2. Commissions include - Body (\$120,000)

East Bay Co. (\$33,000)

3. Repairs & Maintenance - Now include drums (\$99k)
and repairs (\$24k).

310-

anchem - 4/30/93

SCS Engineering

$$\frac{T}{S}$$

mic

1) COGS why down? Prod. High Price UP Total Down

2) 5.6 + A up 5428,000 +20,3%

		<u>F 93</u>	<u>F 93</u>		
Mint	✓ Ant Labor	362	219	-	Emp. Lab. - ^{unins}
	Tru	233	241 (7)		
	✓ Freight	163	105	-	
Mint	✓ Comm - Bnly	158	103	-	sell <u>new books</u>
	✓ Rent	154	137		
Emison & D	✓ Rep / main	129	36	-	open <u>books</u> -
	✓ Print	84	14	-	total <u>Ant</u> <u>unins</u> <u>off</u> <u>30,000</u>
304 State Tailor	✓ Janitor / wt	80	15	-	
Tru	✓ Ref Service	41	59	-	

Property Transfer

Physical volume

Cestoma A/c - Tril & Pouch

English

Lenora

Winnipeg

5/4

B/S - amt payable. H55K Govt. Finance

my cat -

*300,000 - Anti New Bonds

$$p_4) - V_{max}$$

Consolidation

(1000)

	<u>Schedule</u>		<u>Packaging</u>		<u>Bonds</u>	
	<u>Sal</u>	<u>G.P.</u>	<u>Sal</u>	<u>G.P.</u>	<u>Sal</u>	<u>G.P.</u>
93	2,546	645 (22.8)	1,272	324 (25.5)	3,985	1,413 (35.2)
92	3,992	671 (16.8)	1,108	253 (22.8)	3,950	1,060 (35.9)
91	3,900		592		3,200	

Misc Changes

Sal

93/92 - Schedule down \$mil

Bonds up \$mil

G. Profit UP

SEA UP - Misc Change
Tank Work

Bottom line margin improvement

Cencher

Letter RM 12/10/92

1) a) Transfer suit my settle out soon

b) Broken drain pipe on Cencher property
(formed in 1990) may be contaminating
McKenney property (adjacent Superfund site).
McKenney threatening action.
Cencher in turn will sue Spencer & Jones,
contractor who installed broken pipe in 1982
and several broken pipes.

c) Ex G. M. employee sued Cencher
because from Group product had caused
residence. Original broken pipe 1/2 mil
thick now about 1/8 thick at 50 ft or less

Conclusion: As apparent major exposure
but legal and testing costs
will continue indefinitely.

2) Marketing

Stressing consumer products because
industrial products being driven out
of Calif.

Warehouse in Phoenix, distributor in S.F.

Look at buying 70 mil Hayward distributor

Ken LaCock 12/22/92
Ph.

Environment

- 1) No significant change from 4/30/92
from 4/30/91 recent testing. Some
consultation meeting with York
- 2) Trying to keep Archer out of the Kenon
State Super Fund involvement. Think will
be successful. Don't know
- 3) Will be doing some excavations,
testing and soil sampling in connection
with Spencer & Jones. Broken pipes
Think this may have a good
recovery case. Bring documentation
- 4) Steve Anstet (Grand is environmental
lawyer (Burke, Williams & Jackson LA)
- 5) No. Fed, State, Local agencies after
Archer on compliance, permits, etc
- 6) SCS has worked with Archer for
8 years - but keep jumping out of
trouble

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

- ☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED FEBRUARY 28, 1991**
- OR**
- ☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**
- Commission File Number 1-5858**

UNIVAR CORPORATION

A Delaware
Corporation

I.R.S. Employer
No. 91-0816142

801 Second Avenue
1600 Norton Building
Seattle, Washington 98104
Telephone No. (206) 447-5911

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, \$.33½ Par Value	New York Stock Exchange
	Pacific Stock Exchange
9¼% Subordinated Sinking Fund Debentures	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

The aggregate market value of the voting stock held by non-affiliates of the registrant at May 20, 1991 was approximately \$146,300,000. As of such date, 17,608,800 shares of the registrant's common stock, \$.33½ par value, which is the registrant's only class of common stock, were outstanding.

Documents Incorporated by Reference

The Corporation's Annual Report to Shareholders for the fiscal year ended February 28, 1991 (Item 1—Industry Segments and Environmental Matters of Part I, Items 5, 6, 7, and 8 of Part II and Item 14 of Part IV)

The Corporation's definitive Proxy Statement to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934 (Item 10—Directors Only, and Items 11, 12(b), and 13 of Part III)

PART I

ITEM 1. BUSINESS

The Company

Univar Corporation was incorporated in September, 1966 to become the successor corporation in the merger of Van Waters & Rogers, Inc. and United Pacific Corporation, both long established companies then doing business in the western United States and western Canada. For the fiscal year ended February 28, 1991, Univar Corporation (Univar, the Registrant, or the Corporation) and its two wholly owned subsidiaries were involved in the distribution of industrial, textile, agricultural and pest control chemicals and related products. Van Waters & Rogers Inc. conducts its operations throughout the United States. Van Waters & Rogers Ltd. conducts its operations throughout Canada.

Effective November 1, 1986 Univar acquired, through a transaction accounted for as a purchase, substantially all of the net assets of McKesson Chemical Co. (MCC), one of the leading national distributors of industrial chemicals. Concurrent with the acquisition, the assets of the former Van Waters & Rogers division in the U.S. were combined with the MCC operations and those activities are now carried on through a wholly owned subsidiary, Van Waters & Rogers Inc.

MCC had approximately 1,400 employees and generated sales of approximately \$604,000,000 in its fiscal year prior to the acquisition.

The transaction was an extremely important one in the development of Univar—one which doubled the Corporation in sales volume and made it the largest industrial chemical distributor in North America.

Effective March 1, 1988 the Corporation introduced a new hazardous waste management service in the U.S. called ChemCare™. ChemCare is a service that allows the Corporation to maximize the use of existing equipment, facilities and chemical handling knowledge by assisting customers in the responsible collection and disposition of their chemical waste streams. It is in essence a reverse distribution process, developed in response to customer demand for help in coping with increasingly complex environmental regulations at the Federal, state and local levels.

The Corporation does not, under ChemCare or any other program, actually dispose of chemical waste streams. The Corporation has contracted with EPA permitted hazardous waste disposal sites for that disposal, through incineration, recycling or other means. ChemCare is a service providing its customers logistics management, temporary storage and access to various treatment and disposal technologies.

Distribution is the process by which manufacturers, both large and small, get their products to many end users in the most economical way. As a distributor of industrial chemicals and agricultural chemicals and related products, the Corporation's role is to purchase chemicals from manufacturers in truck, railcar, or tankcar quantities and sell them in smaller quantities to various customers. Univar adds value to its products through superior service, selection, and delivery reliability.

Financial Information About Industry Segments

The Corporation operates principally in one market segment, chemical distribution, through two wholly owned subsidiaries, Van Waters & Rogers Inc. in the United States and Van Waters & Rogers Ltd. in Canada.

Foreign operations in Canada for each of the last three fiscal years are reported in the Univar Corporation 1991 Annual Report to Shareholders on page 31, under the caption of Note 11. Industry Segment Information is incorporated herein by reference.

Raw Materials

Numerous sources of supply generally exist for nearly all raw materials essential to the business.

Patents, Trademarks and Tradenames

Univar and its subsidiaries own certain trademarks, servicemarks, and tradenames. These marks and names are important in its current operations but not indispensable.

Seasonal Business

No material portion of the continuing operations of the Corporation or its subsidiaries is regarded as highly seasonal.

Principal Customers

No segment of the continuing operations of the Corporation is dependent upon a single customer or a few customers, the loss of any one or more of whom would have a material adverse effect on the segment.

Competitive Conditions

In the distribution of chemicals and related products, Van Waters & Rogers Inc. and Van Waters & Rogers Ltd. compete with local, regional and national distributors, as well as manufacturers who sell direct. Although the acquisition of MCC established Univar as one of the largest industrial chemical distributors in North America, the Corporation faces significant competition from distributors who have a larger market share within local and regional markets as well as from other national distributors.

The Corporation competes on a variety of factors such as price, product quality, customer service, selection of available products, reliability, technical support, and delivery.

Research and Development

As a distributor, Univar and its subsidiaries do not engage in research activities relating to the development of new products or the improvement of existing products.

The Corporation has initiated a project to create a highly specialized, technologically innovative chemical distribution computer system. It incorporates a sophisticated nationwide data distribution network utilizing satellite telecommunications, and will ultimately provide a fully integrated process for the wholesale distribution business.

Environmental Matters

The "Environmental Costs" section of Management's Discussion and Analysis on pages 16 and 17 of the Univar Corporation 1991 Annual Report to Shareholders and Note 10, titled "Litigation and Contingencies," on pages 30 and 31 of the 1991 Annual Report, are incorporated herein by reference. See also Item 3—Legal Proceedings.

Employees

As of February 28, 1991, Univar and its subsidiaries had 2,826 full-time employees.

Backlog

The Corporation records revenues as orders are shipped. Due to the nature of the Corporation's business, no record of the backlog of orders is maintained.

ITEM 2. PROPERTIES

The Corporation operates from approximately 140 facilities; 119 in the United States and 21 in Canada, with a total of approximately 4,300,000 square feet of office and warehouse space, (3,800,000 in the U.S. and 500,000 in Canada) of which 3,100,000 square feet is owned (77 facilities) and the remainder leased.

Listed below are the principal plants and physical properties of the Corporation and its subsidiaries used in the wholesale distribution of industrial, textile, agricultural, and/or pest control chemicals. The Corporation believes its facilities are in good condition and adequate for its current operations.

VAN WATERS & ROGERS INC.

Location	Bldg. Area (Sq. Ft.)	Land Area (Acres)	Nature of Ownership		
			Owned	Leased	Expiration Date of Lease
Atlanta, GA	86,000	8.6	X		
Chicago, IL	55,000	2.8	X		
(Schaumburg)					
Cleveland, OH	48,000	5.6	X		
Dallas, TX	133,000	9.8	X		
(Bekay Street)					
Denver, CO	69,000	4.9	X		
Grand Prairie, TX	49,000	5.0		X	April 1997
Houston, TX	133,000	20.5	X		
(Brisbane Street)					
Indianapolis, IN	63,000	8.8	X		
Jacksonville, FL	49,000	1.8	X		
Kent, WA	132,000	11.7	X		
Kirkland, WA	126,000			X	August 2001
(Carillon Point)					
Los Angeles, CA	156,000	9.4	X		
(Bonnie Beach)					
Los Angeles, CA	140,000	7.0	X		
(Jillson Street)					
Omaha, NE	67,000	10.3	X		
(F Street)					
Phoenix, AZ	66,000	10.0	X		
Portland, OR	95,000	9.5	X		
(NW Yeon Avenue)					
Salem, MA	214,000	9.9	X	X	December 1991
Salt Lake City, UT	76,000	4.6	X		
San Jose, CA	186,000	14.6	X		
St. Paul, MN	88,000	9.0		X	September 2002
Spartanburg, SC	78,000	28.2	X		
Toledo, OH	48,000	9.4	X		
(Tracy Road)					

*Other Van Waters & Rogers Inc. properties (owned or leased),
which consist mainly of industrial warehouses and related office space:*

Albany, NY	Fresno, CA	Oak Brook, IL
Albuquerque, NM	Geismar, LA	Odessa, TX
Altoona, PA	Glendale (Phoenix), AZ	Oklahoma City, OK
Amarillo, TX	Grand Rapids, MI	Omaha, NE
Anchorage, AK	Grand Junction, CO	Orlando, FL
Appleton, WI	Greensboro, NC	Oxnard, CA
Augusta, GA	Greenville, NC	Pasco, WA
Bakersfield, CA	Hartingen, TX	Philadelphia, PA
Beaumont, TX	Harrisburg, PA	Pinehurst, ID
Bellevue, WA	Helena, MT	Pittsburgh, PA
Birmingham, AL	Honolulu, HI	Pocatello, ID
Bloomington, IL	Houston, TX	Portland, OR
Buffalo, NY	Jackson, MS	Reno, NV
Burlington, IA	Kansas City, MO	Richmond, VA
Carlin, NV	Kingsport, TX	Riverside, CA
Casper, WY	Knoxville, TN	Rock Springs, WY
Charlotte, NC	Lafayette, LA	Sacramento, CA
Chattanooga, TN	Las Vegas, NV	San Antonio, TX
Chicago Hts., IL	Lewiston, ME	San Diego, CA
Chippewa Falls, WI	Lafayette, LA	Seattle, WA
Cincinnati, OH	(Carencro)	Sioux City, IA
Columbus, OH	Little Rock, AR	South Bend, IN
Corpus Christi, TX	Longview, TX	Spokane, WA
Delray Beach, FL	Louisville, KY	Springfield, MO
Detroit, MI	Memphis, TN	St. Louis, MO
El Paso, TX	Miami, FL	Tampa, FL
Eugene, OR	Milwaukee, WI	Toledo, OH
Fairfield, OH	Mobile, AL	Tucson, AZ
Farmington, NM	Nampa, ID	Tulsa, OK
Fayetteville, AR	Nashville, TN	Wichita, KS
Fort Wayne, IN	New Orleans, LA	Williston, ND
Fort Myers, FL	New Rochelle, NY	Woodbridge, NJ

VAN WATERS & ROGERS LTD.

<u>Location</u>	<u>Bldg. Area (Sq. Ft.)</u>	<u>Land Area (Acres)</u>	<u>Nature of Ownership</u>		
			<u>Owned</u>	<u>Leased</u>	<u>Expiration Date of Lease</u>
Calgary, Alberta, Canada	50,000	4.6	X		
Edmonton, Alberta, Canada	59,000	5.6	X		
Lachine (Montreal), Quebec, Canada	52,000	3.3	X		
Richmond (Vancouver), British Columbia, Canada	81,000	8.7	X		
Weston (Toronto), Ontario, Canada	105,000	11.3	X		
Valleyfield, Quebec, Canada	36,000	23.9	X		

*Other Van Waters & Rogers Ltd. properties in Canada (owned or leased)
which consist mainly of industrial warehouses and related office space:*

Abbotsford, British Columbia
 Dartmouth, Nova Scotia
 Kelowna, British Columbia
 Lethbridge, Alberta
 London, Ontario
 Quebec City, Quebec
 Red Deer, Alberta
 Regina, Saskatchewan
 Saskatoon, Saskatchewan
 Truro, Nova Scotia
 Vaudreuil, Quebec
 Windsor, Ontario
 Winnipeg, Manitoba

EXECUTIVE OFFICERS OF THE REGISTRANT

<u>Name(2)</u>	<u>Age</u>	<u>Business Experience Past Five Years</u>	<u>Position Held</u>
James H. Wiborg(1) Chairman Director	66	Chairman of Registrant Chairman and Chief Strategist of Registrant	1990- 1986-1990
James W. Bernard President and Chief Executive Officer Director	53	President and Chief Executive Officer of Registrant President and Chief Operating Officer of Registrant	1986- 1986-1986
N. Stewart Rogers(1) Senior Vice President	61	Senior Vice President of Registrant	1971-
Bevan A. Cates Senior Vice President, Sales, Marketing, and Material Management	51	Senior Vice President of Registrant Regional Vice President, Western Region, Van Waters & Rogers Inc.	1989- 1986-1989
Dick A. Davis Senior Vice President, Operations	52	Senior Vice President of Registrant Vice President of Registrant	1989- 1986-1989
James L. Fletcher Senior Vice President, Environmental and Corporate Affairs	47	Senior Vice President of Registrant Partner, Shilder McBroom Gates & Lucas (attorneys at law)	1989- 1981-1989
Nicolaas Samsom Senior Vice President, Finance and Administration	56	Senior Vice President of Registrant Vice President of Registrant Vice President Administration and Treasurer, Van Waters & Rogers Ltd.	1989- 1987-1989 1973-1987
William A. Butler Vice President, General Counsel and Corporate Secretary	40	Vice President, General Counsel and Corporate Secretary of Registrant Partner, Preston, Thorgrimson, Shidler, Gates and Ellis (attorneys at law)	1990- 1983-1990
David C. Gentry Vice President, Human Resources	50	Vice President of Registrant	1986-
Albert C. McNeight Vice President President, Van Waters & Rogers Ltd.	59	Vice President of Registrant President, Van Waters & Rogers Ltd.	1985- 1985-
Gary E. Pruitt Vice President, Treasurer, and Assistant Secretary	41	Vice President and Treasurer of Registrant Treasurer of Registrant Assistant Treasurer of Registrant	1989- 1987-1989 1981-1987
Guenter Zimmer Vice President, Engineering	62	Vice President of Registrant	1984-
David E. Olson Assistant Treasurer	37	Assistant Treasurer of Registrant Vice President Finance and Controller, Wall Data, Inc. (manufacturer of electronic components)	1987- 1983-1987

(1) Family Relationships: Robert S. Rogers, a Director, is the brother of N. Stewart Rogers. Robert S. Rogers and N. Stewart Rogers are brothers-in-law of James H. Wiborg.

(2) No arrangement or understanding exists between any officer and any other person pursuant to which he was selected as an officer.

ITEM 3. LEGAL PROCEEDINGS

Because of the nature of its business, the Corporation is involved in numerous contractual, product liability, and public liability cases and claims. The liabilities for injuries to persons or property are frequently covered by liability insurance and the deductible and self-insured portions of these liabilities, where applicable, have been accrued in the financial statements.

The Corporation or related entities have been contacted by various governmental agencies regarding potential liability for a share of the cost of clean up of twenty-two separate waste disposal or recycling sites

with alleged or confirmed contaminated soil and/or groundwater. With regard to several of these sites, the Corporation has denied liability because of an absence of any connection between the Corporation or related entities and the waste disposal or recycling site. At most sites which show some alleged evidence of an association between the Corporation or related entities and the waste disposal or recycling site, the Corporation is considered a de minimis, or small quantity, "potentially responsible party."

Seventeen owned, previously owned or leased sites of the Corporation are currently undergoing remediation efforts or are in the process of active review of the need for potential remedial efforts. Some of these efforts are being conducted pursuant to governmental proceedings or investigations, while others are being conducted voluntarily by the Corporation, with appropriate state or Federal agency oversight and approval.

The potential costs related to such matters and the possible impact thereof on future operations are uncertain due to: the uncertainty as to the extent of pollution at particular sites; the complexity of governmental laws, both state and Federal, and their interpretation; the amount and timing of expenditures; the impact of varying alternative technologies and cleanup methodologies; the availability of insurance coverage and/or indemnity agreements for a portion of certain of these matters; the questionable level of the Corporation's involvement at certain sites; and the minimal amount of the alleged contributions by the Corporation to other sites.

Based upon the presently available information, management does not believe that the Corporation's share of responsibility for the above matters will have a materially adverse effect on the Corporation's financial position or operations.

As an industrial chemical distributor and handler of hazardous and potentially hazardous waste materials, compliance with environmental laws is expected to continue to impact the Corporation's operations. For the years 1991 and 1990, the Corporation spent approximately \$5,127,00 and \$5,767,000, respectively, relating to environmental matters for elective actions and to comply with Federal, state, or local environmental regulations. Of the amounts expended, \$4,039,000 and \$4,406,000 for 1991 and 1990, respectively were charged against environmental reserves and \$770,000 and \$904,000 were capitalized for 1991 and 1990, respectively. At February 1991 and 1990, the Corporation had reserves for environmental matters of approximately \$5,417,000 and \$6,928,000 respectively.

The Corporation has filed a lawsuit against approximately forty-five insurance companies to recover under prior comprehensive general liability policies for clean-up activities at various company owned or leased, and third party sites with which the Corporation is involved. To date, sizeable settlements with a number of those insurance companies have been obtained.

Two lawsuits in the U.S. District Courts in Florida have been filed against Van Waters & Rogers Inc., a wholly owned subsidiary of the Corporation, and seven other defendants. The complaints allege violations of state and Federal antitrust laws in connection with the sale of chlorine to municipal entities in the State of Florida. Based on Van Waters & Rogers' share of the chlorine market in Florida, and based on information presently known to the Corporation, management believes that any damages that might be asserted against Van Waters & Rogers would not have a materially adverse effect on the Corporation's financial position or operations. The Corporation believes the suits to be without merit, and is vigorously defending against them.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None during the fourth quarter of the fiscal year covered by this report.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

Pages 17 and 37 of the Univar Corporation Annual Report to Shareholders for the year ended February 28, 1991 are incorporated herein by reference.

Security Holders

As of February 28, 1991, there were approximately 2,079 shareholders of record.

Dividends

Page 15 of the Univar Corporation Annual Report to Shareholders for the year ended February 28, 1991 is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

Page 34 of the Univar Corporation Annual Report to Shareholders for the year ended February 28, 1991 is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity, Capital Resources and Results of Operations

Pages 14 through 17 of the Univar Corporation Annual Report to Shareholders for the year ended February 28, 1991 are incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial Statements

Pages 18 through 32 of the Univar Corporation Annual Report to Shareholders for the year ended February 28, 1991 are incorporated herein by reference.

Selected Quarterly Financial Data

Page 32, Note 13 of the Univar Corporation Annual Report to Shareholders for the year ended February 28, 1991 is incorporated herein by reference.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF REGISTRANT

Identification of Directors, Identification of Executive Officers, Business Experience and Family Relationships

The information required of directors of the Corporation by this item is incorporated by reference to the Corporation's definitive Proxy Statement which the Corporation will have filed with the Commission pursuant to Regulation 14A within 120 days after the close of the fiscal year, and from the Board of Directors section, on page 35, of the Univar Corporation Annual Report to Shareholders for the year ended February 28, 1991.

The information required of executive officers of the Corporation by this item is included in Part I of this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

Cash Compensation, Bonuses and Deferred Compensation, Compensation Pursuant to Plans, Pension Table, and Stock Option Plans

The information required by this item is incorporated by reference to the Corporation's definitive Proxy Statement which the Corporation will have filed with the Commission pursuant to Regulation 14A within 120 days after the close of the fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Beneficial Owners, Security Ownership of Management, and Changes in Control

The information required by Item 12 is incorporated by reference to the Corporation's definitive Proxy Statement which the Corporation will have filed with the Commission pursuant to Regulation 14A within 120 days after the close of the fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with Management and Related Transactions, Certain Business Relationships and Indebtedness of Management

The information required by Item 13 is incorporated by reference to the Corporation's definitive Proxy Statement which the Corporation will have filed with the Commission pursuant to Regulation 14A within 120 days after the close of the fiscal year.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) (1) Financial Statements

As noted in Part II, Item 8, the following financial statements have been incorporated by reference from the Corporation's Annual Report to Shareholders for the year ended February 28, 1991.

	<u>Annual Report Page No.</u>
Consolidated Statements of Income	18
Consolidated Statements of Cash Flows	19
Consolidated Balance Sheets	20-21
Consolidated Statements of Shareholders' Equity	22
Notes to Consolidated Financial Statements	23-32
Management Responsibility for Financial Data	33
Report of Independent Public Accountants	33

(2) Financial Statement Schedules

(a) Selected Quarterly Financial Data (Unaudited) is incorporated herein by reference from the Corporation's Annual Report to Shareholders for the year ended February 28, 1991. This data is shown in Note 13 on page 32 of the Annual Report.

(b) The following financial schedules are submitted herewith. All other financial schedules are either not applicable or are fully disclosed in the applicable section of the Corporation's Annual Report to Shareholders:

Report of Independent Public Accountants—Arthur Andersen & Co.,
dated April 25, 1991.
Auditors' Report of Deloitte & Touche, dated April 25, 1991.
Schedule V—Property, Plant and Equipment
Schedule VI—Accumulated Depreciation and Amortization of Property,
Plant and Equipment
Schedule VIII—Valuation and Qualifying Accounts
Schedule IX—Short-Term Borrowings

(b) Reports on Form 8-K

There have been no reports on Form 8-K filed, or required to be filed, during the fourth quarter of the year.

(c) Exhibits

Exhibits identified in parentheses below, on file with the Securities and Exchange Commission, are incorporated herein by reference as exhibits hereto.

<u>Exhibit Number</u>	<u>Description</u>
(3.1)	Restated Certificate of Incorporation of the Registrant, as amended August 21, 1987 (filed as Exhibit 3.1 to Form 10-K dated May 22, 1989, File No. 1-5858).
3.2	By-laws of the Registrant, as amended October 26, 1990.
(4)	Indenture Agreement between The Bank of California, N.A., and Univar Corporation (filed with Registration Statement on Form T-3, File No. 22-7691).
(10.1)	Univar Corporation 1979 Executive Stock Purchase Agreement, as amended (filed with Registration Statement on Form S-3, File No. 33-3933).

<u>Exhibit Number</u>	<u>Description</u>
(10.2)	1981 Stock Option Plan (filed with Registration Statement on Form S-8, File No. 2-98329).
(10.3)	Agreement and Plan of Distribution between Univar Corporation and PENWEST, LTD. for operations spun-off to shareholders of Univar Corporation common stock as of March 1, 1984 (filed as Exhibit 28.3 to Form 8-K dated March 1, 1984, File No. 1-5858).
(10.4)	Agreement and Plan of Distribution between Univar Corporation and VWR Corporation, for operations spun-off to shareholders of Univar Corporation common stock as of March 1, 1986 (filed as Exhibit 28.1 to Form 8-K dated March 1, 1986, File No. 1-5858).
(10.5)	Univar Corporation 1986 Long-Term Incentive Stock Plan (filed with Registration Statement on Form S-8, File No. 33-34700).
(10.6)	Agreement for Exchange of Capital Stock, dated as of September 19, 1986, (filed as Exhibit 2(i) to Form 8-K dated November 1, 1986, File No. 0-2754).
(10.7)	Asset Purchase and Sale Agreement, dated as of September 19, 1986, (filed as Exhibit 2(ii) to Form 8-K dated November 1, 1986, File No. 0-2754).
(10.8)	First Amendment to Asset Purchase and Sale Agreement, dated as of October 21, 1986 (filed as Exhibit 2(iii) to Form 8-K dated November 1, 1986, File No. 0-2754).
(10.9)	Addendum to Asset Purchase and Sale Agreement, dated as of October 31, 1986 (filed as Exhibit 2(iv) to Form 8-K dated November 1, 1986, (File No. 0-2754).
(10.10)	Standstill Agreement, dated as of September 19, 1986 (filed as Exhibit 4(i) to Form 8-K dated November 1, 1986, File No. 0-2754).
(10.11)	Shareholder Agreements relating to change of control of the Corporation with Messrs James W. Bernard; Richard E. Engebrecht; M. M. Harris; Curtis P. Lindley; N. Stewart Rogers; Nat S. Rogers; Robert S. Rogers; and James H. Wiborg, dated as of September 19, 1986 (filed as Exhibit 4(ii) to Form 8-K dated November 1, 1986, File No. 0-2754).
(10.12)	Univar Corporation Supplemental Benefits Plan, dated July 9, 1985 (filed as Exhibit 10.12 to Form 10-K dated May 22, 1989, File No. 1-5858).
(10.13)	Agreements relating to compensation in the event of a change in control of the Corporation between the Corporation and Messrs James W. Bernard; N. Stewart Rogers; Albert C. McNeight; and Robert A. Steinseifer, dated as of March 1, 1986; in addition the Corporation has substantially the same agreement with James L. Fletcher, dated as of May 1, 1989 (a representative copy of these agreements was filed as Exhibit 10.13 to Form 10-K dated May 22, 1989, File No. 1-5858).
(10.14)	Consulting Services Agreement between the Corporation and Mr. James H. Wiborg, dated as of March 1, 1986 (filed as Exhibit 10.14 to Form 10-K dated May 22, 1989, File No. 1-5858).
(10.15)	Retirement Agreement and Noncompetition Agreement between Univar Corporation and Robert A. Steinseifer, as of March 1, 1988 (filed as Exhibit 10.15 to Form 10-K dated May 22, 1989, File No. 1-5858).
(10.16)	Univar Corporation Stock Purchase Plan (filed with Registration Statement on Form S-8, File No. 33-34697).
(10.17)	Univar Corporation UniSaver Tax Savings Investment Plan (filed with Registration Statement on Form S-8, File No. 33-34511).
(10.18)	Van Waters & Rogers Ltd./Univar Corporation Stock Purchase Plan (filed with Registration Statement on Form S-8, File No. 2-71255).
13	1991 Annual Report to Shareholders of Univar Corporation (not to be deemed "filed except with regard to specific sections which have been expressly incorporated herein by reference).
22	Subsidiaries of Registrant.
24.1	Consent of Independent Public Accountants—Arthur Andersen & Co.
24.2	Consent of Independent Public Accountants—Deloitte & Touche.
24.3	Consent of Independent Public Accountants—Arthur Andersen & Co.
25	Power of Attorney.

<u>Exhibit Number</u>	<u>Description</u>
28.1	Undertakings.
28.2	Form 11-K Annual Report for the Univar Corporation Stock Purchase Plan.
28.3	Form 11-K Annual Report for the Univar Corporation UniSaver Tax Savings Investment Plan.
28.4	Form 11-K Annual Report for the Van Waters & Rogers Ltd./Univar Corporation Stock Purchase Plan.

ITEM 14. OTHER MATTERS

For the purposes of complying with the amendments to the rules governing Form S-8 (effective July 13, 1990) under the Securities Act of 1933, the undersigned registrant hereby undertakes as follows, which undertaking shall be incorporated by reference into registrant's Registration Statements on Form S-8 Nos. 2-71255 (filed March 13, 1981), 2-98329, (filed June 11, 1985), 33-34511 (filed May 2, 1990), 33-34697 (filed May 2, 1990), and 33-34700 (filed May 2, 1990):

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNIVAR CORPORATION

/s/ JAMES W. BERNARD

James W. Bernard
President and Chief Executive Officer

Date: May 24, 1991

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

/s/ NICOLAAS SAMSOM

Nicolaas Samsom
Senior Vice President—
Finance and Administration
(Chief Financial Officer)

Date: May 24, 1991

/s/ GARY E. PRUITT

Gary E. Pruitt
Vice President and Treasurer
(Chief Accounting Officer)

Date: May 24, 1991

DIRECTORS:

JAMES W. BERNARD
H. P. H. CRIJNS
RICHARD E. ENGEBRECHT
MARK W. HOOPER
CURTIS P. LINDLEY
N. STEWART ROGERS
ROBERT S. ROGERS
ANDREW V. SMITH
WILLIAM K. STREET
G. VERHAGEN
JAMES H. WIBORG

By: /s/ WILLIAM A. BUTLER

William A. Butler, Attorney-in-Fact
Power of Attorney dated May 3, 1991

Date: May 24, 1991

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Univar Corporation:

We have audited in accordance with generally accepted auditing standards, the consolidated financial statements included in Univar Corporation's annual report to shareholders incorporated by reference in this Form 10-K, and have issued our report thereon dated April 25, 1991. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The schedules listed in the accompanying index are the responsibility of the company's management and are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. We did not audit the financial statements of the Corporation's wholly-owned Canadian subsidiary, which statements reflect total assets and total revenues constituting approximately 15% and 14%, respectively, of the related consolidated totals. Those statements were audited by other auditors whose reports thereon have been furnished to us and our opinion, insofar as it relates to the amounts included for the subsidiary, is based solely on the reports of the other auditors. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN & CO.

Seattle, Washington,
April 25, 1991.

AUDITORS' REPORT

The Shareholder,
Van Waters & Rogers Ltd.

We have audited the consolidated balance sheets of Van Waters & Rogers Ltd. as at February 28, 1991 and 1990 and the consolidated statements of income and retained earnings and changes in financial position for the years ended February 28, 1991, 1990 and 1989. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at February 28, 1991 and 1990 and the results of its operations and the changes in its financial position for the years ended February 28, 1991, 1990 and 1989 in accordance with generally accepted accounting principles in Canada applied on a consistent basis.

DELOITTE & TOUCHE
Chartered Accountants

Vancouver, British Columbia
April 25, 1991.

SCHEDULE V
PROPERTY, PLANT AND EQUIPMENT
UNIVAR CORPORATION AND SUBSIDIARIES
(Thousands of Dollars)

Classification	Balance at Beginning of Year	Additions		Retirements	Other Changes—Add (Deduct)—Describe		Balance at End of Year
		Additions at Cost	Assets of Company Acquired		Translation Adj.(1)	Other	

Year ended February 28, 1991:							
Land.....	\$ 17,394	\$ 114	\$ —	\$ —	\$ 111	\$ (358) (3)	\$ 17,261
Buildings	62,681	77	—	(75)	320	2,881 (2,3)	65,884
Equipment	120,149	12,258	—	(1,256)	450	653 (2,3)	132,254
Leased property under capital leases	5,082	—	—	—	—	—	5,082
Construction in progress	24,225	28,968	—	—	8	(1,567)	51,634
	<u>\$229,531</u>	<u>\$41,417</u>	<u>\$ 0</u>	<u>\$ (1,331)</u>	<u>\$ 889</u>	<u>\$ 1,609</u>	<u>\$272,115</u>
Year ended February 28, 1990:							
Land.....	\$ 15,260	\$ 1,496	\$ —	\$ —	\$ 15	\$ 623 (3)	\$ 17,394
Buildings	53,788	1,381	—	(483)	44	7,951 (2,3)	62,681
Equipment	105,245	10,037	3,487	(1,850)	53	3,177 (2,3)	120,149
Leased property under capital leases	6,558	—	—	—	—	(1,476) (3)	5,082
Construction in progress	8,821	23,193	—	—	(2)	(7,787)	24,225
	<u>\$189,672</u>	<u>\$36,107</u>	<u>\$3,487</u>	<u>\$ (2,333)</u>	<u>\$ 110</u>	<u>\$ 2,488</u>	<u>\$229,531</u>
Year ended February 28, 1989:							
Land.....	\$ 14,966	\$ 1,417	\$ —	\$ (513)	\$ 101	\$ (711) (4)	\$ 15,260
Buildings	50,824	1,285	—	(194)	373	1,500 (2)	53,788
Equipment	108,377	8,414	104	(1,299)	482	(10,833) (2,4)	105,245
Leased property under capital leases	7,493	—	—	(1,058)	—	123 (4)	6,558
Construction in progress	3,299	20,398	—	—	—	(14,876)	8,821
	<u>\$184,959</u>	<u>\$31,514</u>	<u>\$ 104</u>	<u>\$ (3,064)</u>	<u>\$ 956</u>	<u>\$ (24,797) (4)</u>	<u>\$189,672</u>

- (1) Foreign currency translation adjustments.
- (2) Transfer from construction in progress.
- (3) Reclassification from other asset accounts.
- (4) Reclassification to other asset accounts, including approximately \$17,027 to investments.

SCHEDULE VI
ACCUMULATED DEPRECIATION AND AMORTIZATION OF
PROPERTY, PLANT AND EQUIPMENT
UNIVAR CORPORATION AND SUBSIDIARIES
(Thousands of Dollars)

Classification	Balance at Beginning of Year	Additions Charged to Expense(3)	Retirements	Other Changes— Add (Deduct)— Describe		Balance at End of Year
				Translation Adj.(1)	Other	
Year ended February 28, 1991:						
Buildings	\$14,245	\$ 2,094	\$ (28)	\$113	\$ 592 (2)	\$17,016
Equipment.....	50,087	11,883	(1,082)	265	2,563 (2)	63,716
Leased property under capital leases	2,756	224	—	—	—	2,980
	<u>\$67,088</u>	<u>\$14,201</u>	<u>\$(1,110)</u>	<u>\$378</u>	<u>\$ 3,155 (2)</u>	<u>\$83,712</u>
Year ended February 28, 1990:						
Buildings	\$11,668	\$ 1,979	\$ (77)	\$ 13	\$ 662 (2)	\$14,245
Equipment.....	40,012	12,169	(1,210)	28	(912) (2)	50,087
Leased property under capital leases	2,671	235	—	—	(150) (2)	2,756
	<u>\$54,351</u>	<u>\$14,383</u>	<u>\$(1,287)</u>	<u>\$ 41</u>	<u>\$ (400) (2)</u>	<u>\$67,088</u>
Year ended February 28, 1989:						
Buildings	\$ 9,322	\$ 1,597	\$ (110)	\$117	\$ 742 (2)	\$11,668
Equipment.....	32,196	11,925	(556)	279	(3,832) (2)	40,012
Leased property under capital leases	1,188	266	(449)	—	1,666 (2)	2,671
	<u>\$42,706</u>	<u>\$13,788</u>	<u>\$(1,115)</u>	<u>\$396</u>	<u>\$(1,424) (2)</u>	<u>\$54,351</u>

- (1) Foreign currency translation adjustments.
(2) Reclassification to/from other asset accounts.
(3) The annual provisions for depreciation have been computed principally in accordance with the following depreciable lives:

Buildings 10-50 Years
Equipment 3-40 Years
Leased property under capital leases Lesser of asset or lease life

SCHEDULE VIII
VALUATION AND QUALIFYING ACCOUNTS
UNIVAR CORPORATION AND SUBSIDIARIES
(Thousands of Dollars)

<u>Description</u>	<u>Balance at Beginning of Year</u>	<u>Additions</u>		<u>Deductions</u>	<u>Balance at End of Year</u>
		<u>Charged to Costs and Expenses</u>	<u>Charged to Other Accounts</u>		
Allowance for losses on receivables for the year ended:					
February 28, 1991	<u>\$2,060</u>	<u>\$1,856</u>	<u>\$ —</u>	<u>\$2,280(1)</u>	<u>\$1,636</u>
February 28, 1990	<u>\$1,816</u>	<u>\$1,590</u>	<u>\$ —</u>	<u>\$1,346(1)</u>	<u>\$2,060</u>
February 28, 1989	<u>\$1,777</u>	<u>\$1,040</u>	<u>\$ —</u>	<u>\$1,001(1)</u>	<u>\$1,816</u>

(1) Uncollectible accounts written off, net of recoveries.

SCHEDULE IX
SHORT-TERM BORROWINGS
UNIVAR CORPORATION AND SUBSIDIARIES
(Thousands of Dollars)

<u>Description</u>	<u>Balance at End of Year</u>	<u>Weighted Average Interest Rate</u>	<u>Maximum Amount Outstanding During the Year</u>	<u>Average Amount Outstanding During the Year(3)</u>	<u>Weighted Average Interest Rate During the Year(4)</u>
Year ended February 28, 1991:					
Payable to Banks(1)	<u>\$10,000</u>	<u>7.0%</u>	<u>\$39,798</u>	<u>\$21,754</u>	<u>8.7%</u>
Commercial Paper(2)	<u>\$25,000</u>	<u>7.6%</u>	<u>\$25,000</u>	<u>\$25,000</u>	<u>8.2%</u>
Year ended February 28, 1990:					
Payable to Banks(1)	<u>\$ 7,823</u>	<u>9.3%</u>	<u>\$32,914</u>	<u>\$15,044</u>	<u>10.1%</u>
Commercial Paper(2)	<u>\$25,000</u>	<u>8.8%</u>	<u>\$25,000</u>	<u>\$25,000</u>	<u>8.7%</u>
Year ended February 28, 1989:					
Payable to Banks(1)	<u>\$11,500</u>	<u>10.5%</u>	<u>\$25,000</u>	<u>\$12,475</u>	<u>9.0%</u>
Commercial Paper(2)	<u>\$25,000</u>	<u>10.0%</u>	<u>\$25,000</u>	<u>\$25,000</u>	<u>9.3%</u>

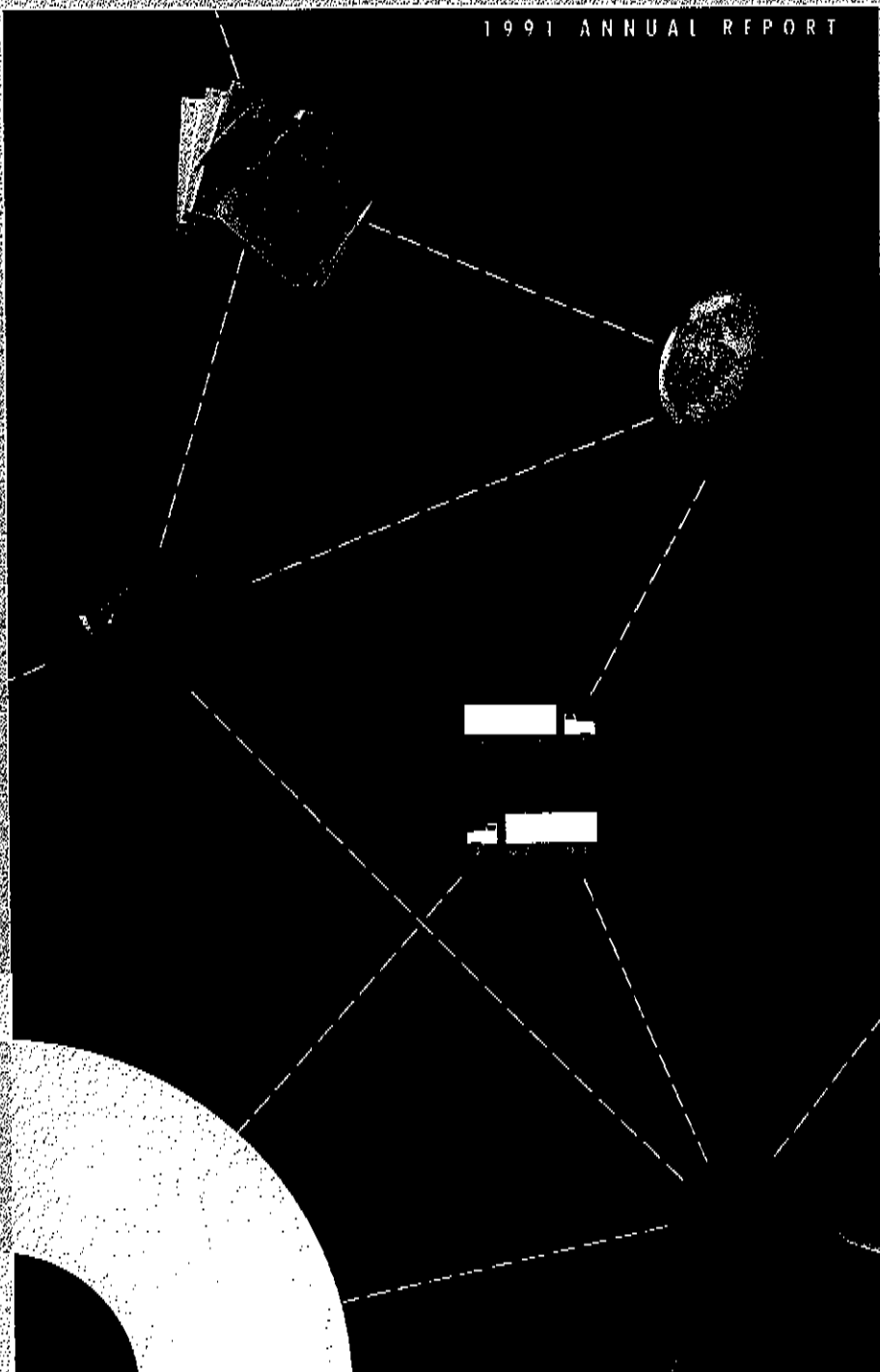
- (1) Notes payable to banks represent borrowings under line of credit borrowing arrangements which generally have no termination date but are reviewed annually for renewal.
- (2) Commercial paper generally matures 30-60 days from date of issue with no provision for the extension of its maturity.
- (3) The average amount outstanding during the period was computed by totalling the average outstanding borrowings for each month and dividing by 12.
- (4) The weighted average interest rate during the period was computed by dividing the actual interest expense by average short-term debt outstanding.

*Univar
Corporation*

1991 ANNUAL REPORT

*Van Waters
& Rogers Inc.*

*Van Waters
& Rogers Ltd.*



Univar Corporation is a service business engaged in the distribution of a broad range of industrial chemicals. It operates through two subsidiaries, Van Waters & Rogers Inc. in the United States and Van Waters & Rogers Ltd. in Canada.

C O N T E N T S

2	<i>Letter to Shareholders</i>
5	<i>Univar's Strategic Vision</i>
13	<i>Financial Information</i>
14	<i>Management's Discussion and Analysis</i>
33	<i>Management Responsibility for Financial Data</i>
33	<i>Report of Independent Public Accountants</i>
34	<i>Five-year Financial Summary</i>
35	<i>Board of Directors</i>
35	<i>Officers</i>
36	<i>Principal Operating Units</i>
37	<i>General Information</i>

COMPARATIVE HIGHLIGHTS

For the Years Ended February 28		1991	1990	1989
("Operations" and "Financial" amounts in thousands of dollars)				
<i>Operations</i>				
Sales	\$1,396,229	\$1,378,864	\$1,307,865	
Income before taxes	33,645	36,032	33,857	
Provision for taxes on income	13,997	14,487	13,884	
Net income	19,648	21,545	19,973	
Dividends declared	5,281	5,254	3,489	
<i>Per Share*</i>				
Net income	1.10	1.22	1.13	
Dividends declared	.30	.30	.20	
Book value	8.42	7.53	6.57	
<i>Financial</i>				
Working capital	89,140	71,940	63,739	
Current ratio	1.43:1	1.35:1	1.33:1	
Shareholders' equity	148,337	131,880	114,728	
Inventories	110,712	97,609	97,532	
Trade accounts receivable — net	162,538	154,529	143,845	
Property, plant and equipment — net	188,403	162,443	135,321	
<i>Other</i>				
Shareholders at year-end	6,300	6,200	6,200	
Employees	2,826	2,833	2,702	

* The above historical per share data has been restated to reflect a two-for-one stock split paid as a 100% stock dividend on November 4, 1989, to shareholders of record on October 16, 1989.

LETTER TO SHAREHOLDERS

The fiscal year ended February 28, 1991, was a challenging one for Univar, reflecting the general economic slowdown in North America. Although we did not set new records, we did demonstrate the resilience of our operations and our ability to adapt to rapidly changing business, societal, and governmental demands.

For the year, net income was \$19,648,000, or \$1.10 per share, on sales of \$1,396,229,000. Return on our beginning equity was approximately 14.9%.

These results compare to prior year net income of \$21,545,000, or \$1.22 per share, on sales of \$1,378,864,000. Return on beginning equity a year ago reached 18.8%.

We operated in a declining U.S. economic environment throughout the year, and although we were able to record increases in earnings for the first two fiscal quarters, the effects of the recession were evident in the third and fourth fiscal quarters, when results were below those of the prior year. U.S. sales by Van Waters & Rogers Inc. totaled \$1,198,011,000, up by 1.3%.

In Canada, where we generated 14.2%, or \$198,218,000, of our total sales volume, and 24.2%, or \$4,750,000, of our net income, the market was distinctly weak all year — particularly in eastern Canada. Under the circumstances, Van Waters & Rogers Ltd., our Canadian subsidiary, produced excellent results.

We completed our 55th year of continuous quarterly cash dividends with total payout amounting to \$0.30 per share, the same rate as in the prior year.

While overall sales and gross margins remained essentially static, the necessity of continuing to invest for the future left us unable or unwilling to hold the

line on those expenses that we believe are crucial to our continued strength, including:

- ▶ Introduction of our new computer system UVX 2000™ to approximately 15% of the U.S. operations of the Corporation. In September, further rollout of the system was suspended for the balance of the year, while we used the installed capacity as a testing platform to work out design and efficiency problems which became apparent with full-scale application;
- ▶ Establishment of a training program dedicated to infusing Univar's culture and operations with the Quality Process in both the U.S. and Canada;
- ▶ A major commitment of staff time and resources for a number of projects related to environmental remediation and facility upgrades; and
- ▶ Expenses related to the investigation of possible acquisitions in both North America and Europe.

European Acquisition. On December 21, 1990, we announced that Univar and Pakhoed Holding N.V. had entered into negotiations with Beijer Industries A.B., a Swedish company, regarding the potential acquisition of the Beijer Industrial Distribution Group of subsidiaries in the United Kingdom, Scandinavia, Switzerland, and Italy. With 1990 sales of approximately \$380 million (U.S.), these subsidiaries have a total of 17 offices and approximately 550 employees.

On April 4, 1991, after fiscal year-end, an agreement in principle was reached which calls for the purchase of the stock of these subsidiaries by a new holding company, Univar Europe, which will be owned 51% by Univar and 49% by Pakhoed Holding N.V. The total purchase price will be 300 million kroner, or approximately \$54,000,000. Closing will be delayed until later in the current fiscal year, pending approval of the transaction by the Swedish government.

Funding of the transaction will be accomplished through the sale of 1,900,000 new shares of Univar common stock to The Dow Chemical Company for a total cash consideration of \$30,000,000, making Dow an owner of approximately 9.5% of the Univar shares to be outstanding.

Board of Directors. On August 24, 1990, at a Board of Directors meeting prior to the Annual Meeting of Shareholders, Mr. Lowry Wyatt, who had been a director since 1975, retired from the Board. Lowry has been a strong contributor as a director, particularly in the areas of employee benefits, compensation and incentive systems, and in pension-related issues. We will miss both his sage advice and the sense of humor with which he often made his points.

Mr. Wyatt was replaced on the Board by Mr. N. Stewart Rogers, Senior Vice President of the Corporation since 1971.

Strategic Vision. In 1987 senior management at Univar developed projections of the major trends that we believed had the potential to significantly impact

our business in the ensuing years. These trends provided us with a blueprint of the future, and they have guided our long-term planning.

Univar's 1988 Annual Report presented a summary and discussion of these trends in the form of a "Strategic Vision," predicting:

- ▶ Globalization of the industry
- ▶ Industry consolidation
- ▶ Increased importance of distributors
- ▶ Computer technology becoming critical to business success
- ▶ Increased regulation at all levels of government and greater environmental/safety awareness
- ▶ Growing importance of spent chemical management
- ▶ Intensified demand for quality in products and in operations

As anticipated, each of these trends has emerged as a significant factor in our business environment over the past few years, and each continues to grow in importance. By having identified them early and planned and acted accordingly, we have been able to position Univar to capitalize on opportunities and avoid or mitigate potential problems.

Much of the discussion on the pages that follow is centered around these trends, their impact, and the steps we have taken to plan for them in order to strengthen the Corporation.

Administrative Facilities. Later this year, Univar Corporate and Van Waters & Rogers Inc. headquarters and administrative staff functions will move

to a new leased headquarters building in Kirkland, Washington, a suburb of Seattle, marking the first time since 1986 that all the Corporate business functions have been in one location. The management information/data processing department relocated late last year to a new computer center adjacent to our new Corporate headquarters.

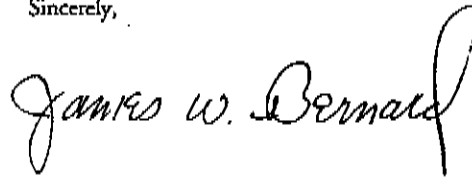
We anticipate improvements in internal communications as a result of this move. The greater ease of working as a team, with all the required inputs close at hand, should significantly improve our ability to be more responsive to our field offices and to our customers. Occupancy of the new space is expected to be completed in September 1991.

Outlook. The world in which our business is operating is changing at an accelerating pace. New systems, new legal and regulatory demands, newly acquired operations, and the varying responses of our suppliers, competitors, and customers to the new conditions they face are all contributing to this trend.

I am particularly proud of the way in which the people in our organization have accepted and responded to the changes being thrust upon them. They are responding to these demands in innovative and practical ways, thus ensuring our ability to continue

improving our service to customers, and enabling us to maintain a leadership role in the chemical distribution industry.

Sincerely,



James W. Bernard

President and Chief Executive Officer



As a leader in industrial distribution in North America, Univar has consistently approached growth and development on a long-term basis.

By focusing on periods of five or more years rather than on quarter-to-quarter or year-to-year comparisons, we have been able to resist the pressures to seek "quick fixes" that sacrifice the continuing strength of the Corporation for short-term boosts in earnings. This focus has produced outstanding results for our long-term shareholders, and has allowed for a consistency in pursuit of our objectives that has enabled us to attain and retain a leading position in our industry.

This long-term approach to business planning requires not only a thorough knowledge of current market conditions and industry developments, but also an understanding of emerging issues and trends, the impact of which may not be evident for several years.

In 1987, we produced an outline of the major trends that we predicted would affect the chemical distribution industry in the ensuing years. Our 1988 Annual Report summarized this outline in several groups of short statements which constitute a "Strategic Vision" of our opportunities and objectives.

The first series of statements outlined our projections for the chemical industry and, more particularly, the chemical distribution industry. They have proven highly accurate and, moreover, have helped us to prepare for the future in an industry undergoing great change.

The pages that follow provide a discussion of each of the "vision" statements, the trends they foresaw, and the impact these trends have had on the industry and on Univar.

The Chemical Distribution Industry Will Become Global. Three of the top seven industrial chemical distributors in the United States are now wholly owned subsidiaries of European companies. Since the mid-'80s, European companies have been among the most aggressive in the acquisition of regional chemical distributors, and have intensified the level of competition in the U.S. market.

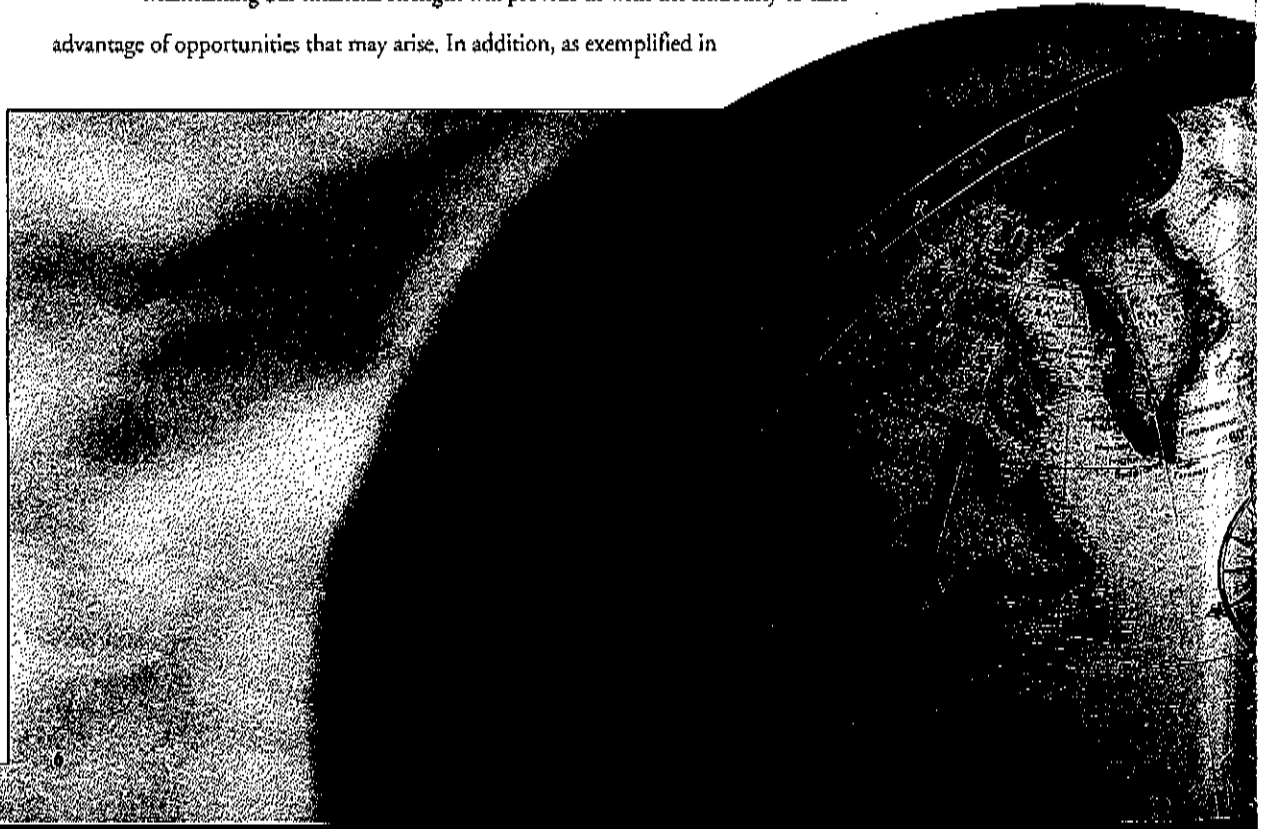
In our own case a Dutch company, Pakhoed Holding N.V., is a major Univar shareholder, having contributed capital to the Corporation as part of a 1986 acquisition which more than doubled Univar's U.S. sales. The announcement in April of 1991 that we had agreed to acquire the European chemical distribution subsidiaries of Beijer Industries A.B., discussed at length on pages 2-3 of this report, is further evidence of the trend toward international operations by distributors.

The increasing importance of international operations is also a clear trend in chemical manufacturing, as virtually all major chemical companies now operate on a multi-continent basis.

Clearly, these parallels in foreign expansion programs are setting the scene for future increases in "partnerships" with our suppliers and our customers at both the national and international levels.

The Industry Will Experience Consolidation. In 1987, approximately 1,050 firms were involved in industrial chemical distribution in the United States. Since that time, the number of industry participants has been reduced to approximately 950. The change is primarily a result of consolidation driven in large part by the inability of smaller companies to cope with the costs and complexities of chemical distribution in today's economic and regulatory environment. The cost and lack of availability of environmental and liability insurance, and an inability to afford the range of technical expertise required to respond to the wide array of new regulatory requirements are among the many factors contributing to smaller companies deciding to sell to larger competitors.

Maintaining our financial strength will provide us with the flexibility to take advantage of opportunities that may arise. In addition, as exemplified in




our pending expansion in Europe, financed with funds provided by The Dow Chemical Company in exchange for stock, acquisitions provide an opportunity for us to "partner" with our suppliers, providing them with a direct economic incentive to help us be successful.

Since 1988, acquisitions by both Van Waters & Rogers Inc. and Van Waters & Rogers Ltd. have improved our geographic coverage, expanded specific product lines to new areas, and/or strengthened local offices by adding additional sales volume and qualified personnel.

Distributors Will Play a More Important Role. The percentage of chemical industry output sold through distributors has experienced a slow but consistent growth over the past several years, and now is estimated at between 5% and 5.5%, implying a North American chemical distribution market of approximately \$15,000,000,000. Not only is distribution's share of the chemical output "pie" growing, but so is the pie itself; demand for chemicals in North America over the past few years has increased by approximately 4.5% annually.

Simultaneously, manufacturers are looking for financially strong and environmentally responsible distributors who will represent their interests in the market. To the extent that not all distributors are willing or able to respond to the increasing expectations, they are being eliminated from consideration by many manufacturers — reinforcing the consolidation trend in the industry and narrowing the field of available choices through which manufacturers are willing to distribute their products.

Chemical manufacturers' acknowledgment of the growing importance of distributors is accompanied by a growing interest and stake in the distributors' quality of operations, financial stability, and commitment to environmental stewardship. Consequently, over the past few years it has become increasingly common to see chemical producers working closely with distributors on operational and environmental considerations, and simultaneously subjecting them to much greater scrutiny as to quality of operations.



Whether headquartered in the U.S. or Europe, all of the world's 10 largest chemical manufacturers serve international markets, providing unique opportunities for distributors who have global reach as well.

Ranked by sales, the world's chemical manufacturers are:

- 1 BASF AG, Germany
- 2 Hoechst AG, Germany
- 3 Bayer AG, Germany
- 4 E.I. Du Pont de Nemours & Company Inc., U.S.A.
- 5 Imperial Chemical Industries PLC. (ICI), U.K.
- 6 Dow USA, U.S.A.
- 7 Ciba-Geigy AG, Switzerland
- 8 Rhone-Poulenc SA, France
- 9 The Royal Dutch Shell Group, The Netherlands
- 10 AKZO Chemie BV, The Netherlands

This close working relationship with key suppliers, which enables them to observe the custody, transportation, sale, and usage of products as they move into the hands of ultimate users, is in sharp contrast to distributors' historical reluctance to open their operations to manufacturers or to provide them with customer usage information.

The change is resulting in a dramatic increase in cooperative efforts to mutually develop the systems of logistics, information, and operational controls, which move products from manufacturers through distributors to ultimate consumers. We welcome this trend because it helps make the operational and applications knowledge of the manufacturers available to us as well as to our customers.

Computer Technology Will Be Critical to Success. The chemical distribution industry has been slower than most to embrace the full potential of computer technology. Rarely was computer technology used to enhance a distributor's operations. A number of factors have combined in the past few years to change that.

Increased federal, state, regional, and local regulation has resulted in new record-keeping requirements. Because of the volume of detail and the rate at which technical and regulatory information changes, the computer is the only practical way to maintain data on a current basis and to access it efficiently.

An increase in "partnering" or interface between manufacturer, distributor, and end-user, as discussed above, has opened up vast quantities of new information to both manufacturers and distributors. Computer-to-computer linkage within the distribution chain allows for dramatically increased levels of electronic data interchange between manufacturers, distributors, and product users, making possible programs such as automatic updating and transmission of Material Safety Data Sheets; electronic mail; automatic purchasing (in which the customer might purchase on a "paperless" basis, or alternately, the supplier might schedule shipments to his customer on a "keep full" basis); and immediate distribution of information on new product applications to potential commercial users.

The challenges facing the industry in the years ahead make clear the need for major suppliers, distributors, and end-users to work with one another to develop innovative solutions to common challenges and common needs.

The "strategic partnerships" that result from this new spirit of cooperation already have resulted in improved

environmental and product stewardship efforts spurred by stringent federal regulations by key suppliers and materials processors, closer approaches to product and new product development, shipping schedules, and the nation's trucking industry.

The chemical industry has also formed other forms of strategic partnerships. For example, Univar Chemical has committed to provide our European customers in return for approximately 9.5% of Univar's stock; other suppliers and

With larger systems, such as our UVX 2000™, the opportunity also exists to introduce software which approaches the application of artificial intelligence in such a way that we can increase safety and regulatory compliance by substituting computer-maintained data on products and the regulations related to them, rather than attempting to rely on human memory.

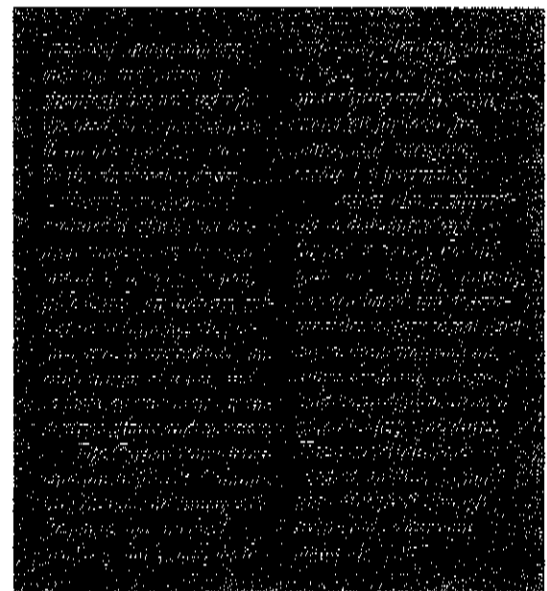
Regulations Relating to Safety and the Environment Will Increase. We have seen very high levels of legislative and regulatory activity at all levels of government. Generally, these laws and regulations have been enacted with the laudable objectives of improving worker and public safety, or of protecting or repairing the environment, while imposing new liabilities on corporations and individuals so as to encourage compliance.

While we are in agreement with the objectives of these regulations, their number, the lack of consistency between federal, state, and local regulations governing the same subjects, and the resulting sheer volume of material to be absorbed and translated into useful operating instructions is very difficult and expensive to deal with. In our U.S. operations last year, employees underwent more than 38,000 hours of training in operational and regulatory areas alone.

While the trend toward increased environmental and safety regulations has been widespread throughout western economies, the U.S. has been the leader in the volume of regulatory detail, consistent with our society's historical tendency to concentrate on regulatory *process*, rather than on objectives.

The increasing level of regulatory complication over the past five or six years has been an important factor in our development of computer based systems, and has also required that we increase dramatically the number of personnel dedicated to these control areas.

Five years ago, Univar had approximately 20 employees in the operations and legal staff devoted solely to understanding, interpreting, and explaining regulations to



our operating personnel. Today that number stands at more than 70 people with skills in such diverse fields as chemical engineering, industrial hygiene, hydrogeology, various legal specialties, computer applications, etc.

While the cost of our response has been high, Univar has positioned itself as a leader in its ability to respond to these new requirements promptly and proactively, rather than under the restrictions of regulatory edicts.

Hazardous Waste Management Services Will Grow in Importance. Virtually every industrial process employing the chemicals we distribute results in some "by-products" that are regulated as hazardous waste. An increase in regulations pertaining to the proper management of these waste streams has been accompanied by stiff penalties for noncompliance. Univar recognized early the opportunity presented by assisting our customers in managing their waste chemicals properly.

As a result, in early 1987 we began to develop a "reverse distribution system," which was introduced in the spring of 1988 under the name "ChemCare™."

ChemCare™ involves the pickup of waste products from our customers' sites; consolidation of these products at our specially equipped and permitted facilities; and transporting to licensed treatment, storage and disposal facilities (TSDF) whose operations, financial capabilities, and insurance programs have been reviewed by Univar or its consultants.

ChemCare™ solves major problems for our customers. It simplifies the very complex technical/regulatory requirements and logistics of waste management for our customers. It allows waste to be removed promptly from their facility. Moreover, it gives them an independent assurance of the strength and quality of the organization to which their waste products are being delivered for recycling or disposal — a major concern since the generator of the waste stream retains "cradle to grave" responsibility for it, regardless of its final disposition.

ChemCare™ has proven to be a valuable service to our customers and an attractive business opportunity for us. During the past year, its second full year of operation,

Since 1988, eight major federal laws and regulations have been implemented that impact our operations. While the objective of each is laudable, the cost of compliance, both in terms of staff time and expense, is significant.

Chemical Diversion and Trafficking Act
Requires recording and reporting sales of chemicals that could be used to manufacture illegal drugs.

Drug-Free Workplace Act
Requires a policy statement and drug awareness program.

Clean Air Act
Calls for air pollution reduction through emission control technology, pollution prevention programs, and federal permits.

Toxicity Characteristic Leaching Procedure Regulations
Introduced a new procedure for identifying toxic hazardous waste, resulting in permit modifications and new

waste labeling and paperwork procedures.

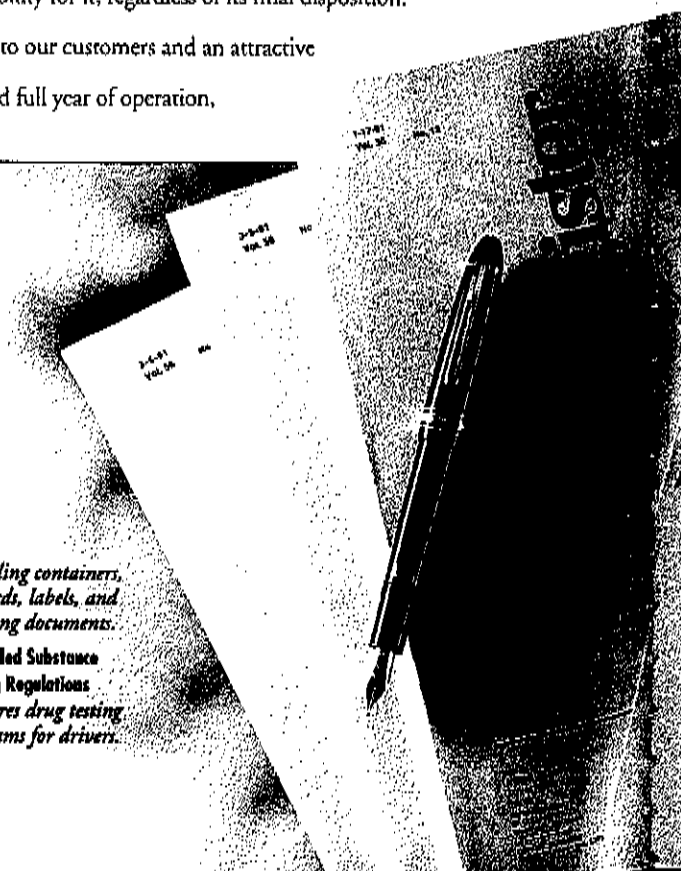
Hazardous Waste Operations and Emergency Response Regulations
Requires increased training, medical examination, and health tracking for workers.

Storm Water Discharge Permitting Regulations
Requires new permits for storm water discharge and periodic sampling of storm water.

Performance Oriented Packaging Standards
Introduced new standards for hazardous materials packaging,

including containers, placards, labels, and shipping documents.

Controlled Substance Testing Regulations
Requires drug testing programs for drivers.



ChemCare™ generated revenues in excess of \$20,000,000 and became clearly profitable. We expect continued high rates of growth for this service in the coming years.

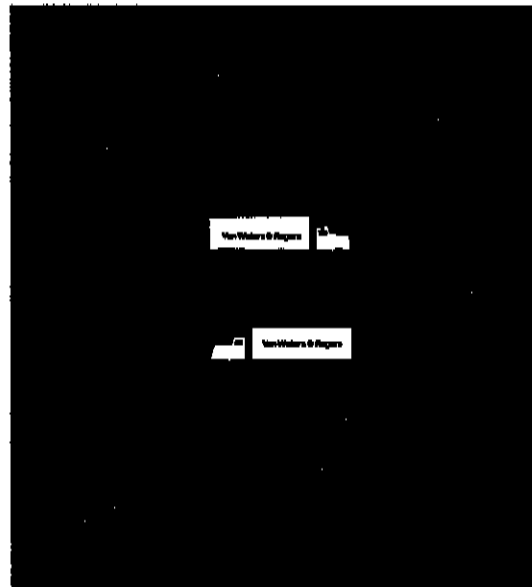
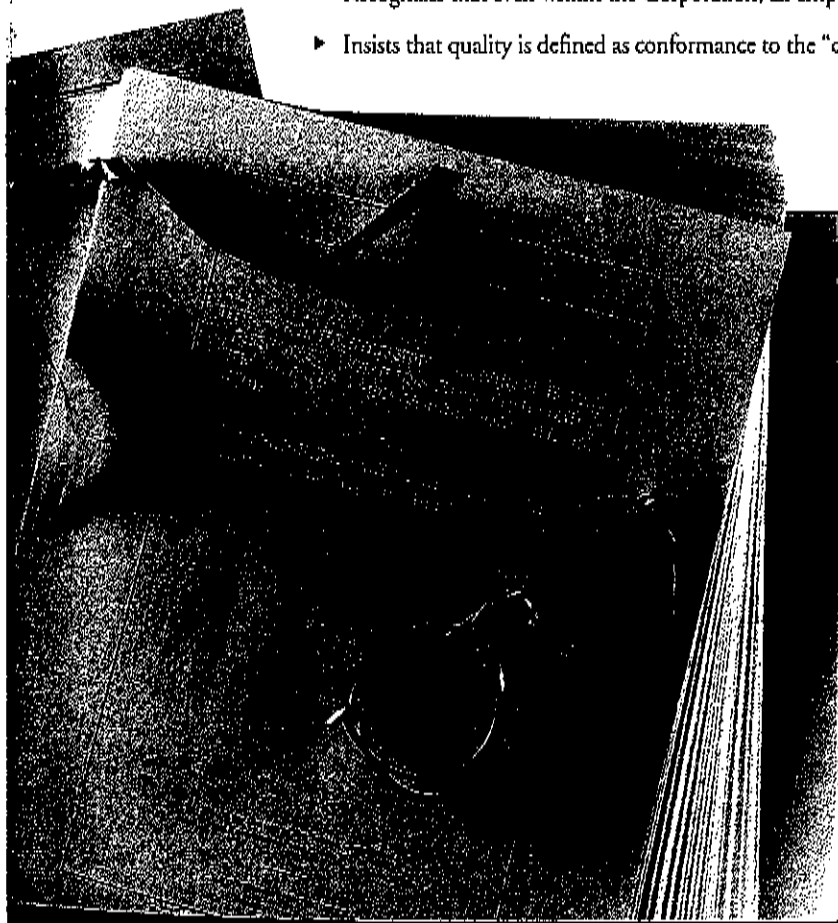
The Demand for Quality Will Continue to Intensify. Our 1987 prediction that our customers and suppliers would increasingly demand quality in all facets of our operations has proved accurate; "Quality" has become the corporate world's watchword of the '90s.

In 1989, after a thorough review of what had become known as the "Quality Movement," we sought outside help in effecting a cultural change in the Corporation. The project started in the winter of 1989/90 with all senior management personnel attending formal outside training programs, and continued in 1990 with the selection and training of employees who would be responsible for the execution of the in-house program.

Presentation of the Quality Process to our employees on a larger scale began in the spring of 1990, and training classes now either completed or underway in both the U.S. and Canada have reached some 450 personnel with a program of ten two-hour sessions. Over the next year, we expect to expand the effort to provide appropriate training to all employees, and will then continue the training on a maintenance basis for new hires and for re-fresher or specialized training.

The basic effort is to provide a corporate culture which:

- ▶ Acknowledges that most people want to do a good job;
- ▶ Accepts the fact that the person who does the work (not his or her supervisor) knows the most about how to do it easier and better, and provides a structure within which the necessary changes can be made easily;
- ▶ Recognizes that even within the Corporation, all employees are "customers" or "suppliers" of one another;
- ▶ Insists that quality is defined as conformance to the "customer's" requirements;



- Realizes that precise communication between "customers" and "suppliers" is the key to describing the requirements for a product or service so accurately that a continually declining rate of errors, misunderstandings, or surprises can be achieved.

We are seeing excellent acceptance of these concepts throughout the Corporation, and believe that their practice will enhance the satisfaction and performance of our employees personally and professionally. A dedicated work force which wants to — and has been empowered to — "Do it right the first time, every time," is a powerful asset that will benefit our employees, the Corporation, our customers, and ultimately our shareholders.

WE, THE EMPLOYEES,
*Everyone from the CEO
to the newest employee.*

ARE COMMITTED
*Not will be or desire to.
We are.*

TO KNOWING
*Finding out exactly
what our customer
wants.*

AND CONFORMING TO
*Providing exactly what
our customer wants.*

THE REQUIREMENTS
*This is "exactly what
the customer wants."*

OF OUR CUSTOMERS
External people

AND EACH OTHER.
*as well as fellow
employees.*

WE WILL
Again, every employee.

PROVIDE
*Deliver, send, give,
transmit, etc.*

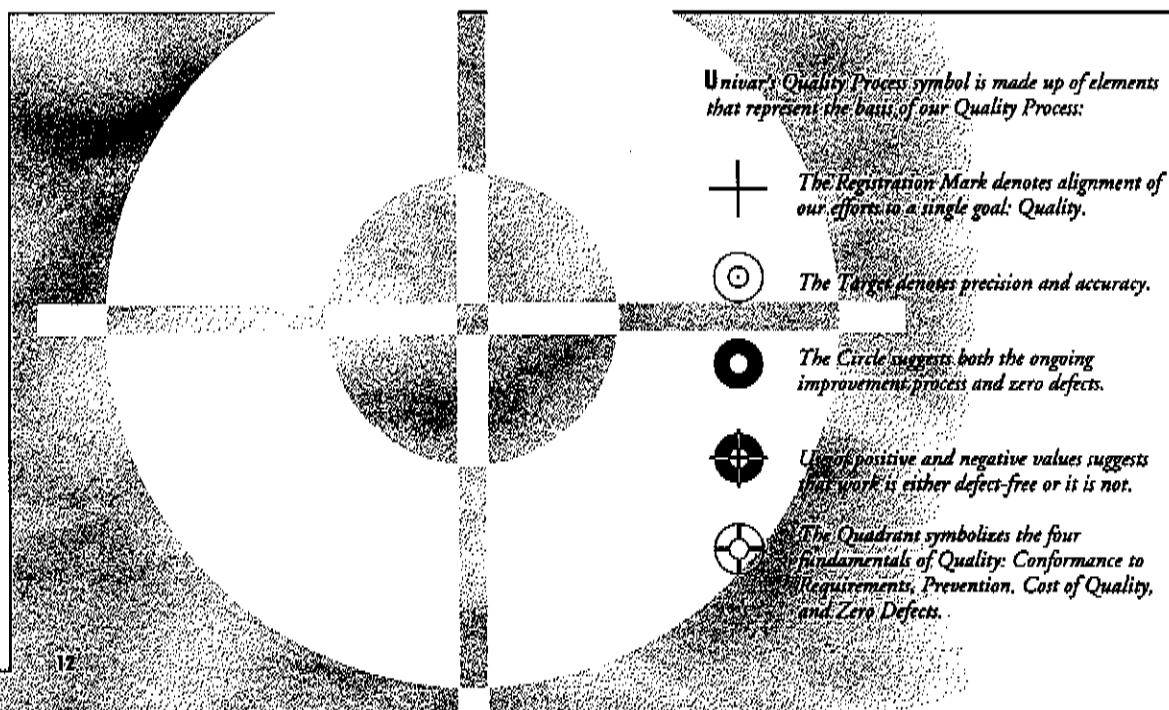
DEFECT-FREE
within the

**PRODUCTS &
SERVICES**
*agreed-upon
requirements.*

THE FIRST TIME,
*Not next time,
not soon, not someday.
The first time.*

EVERY TIME.
*Not once in a while,
not most of the time,
not probably.*

Our commitment to a long-term approach to business planning is ongoing. We continue to assess current conditions in our industry globally, in order to detect and plan for what we identify as emerging trends. Our track record in this regard has been quite good to date. Our future success will be guided by our accuracy in predicting future trends — and planning wisely to either capitalize on them or blunt their impact, as necessary.



FINANCIAL REPORT

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Results of Operations. Sales for the fiscal year ended February 28, 1991, increased by 1.3% compared with 1990, and 6.8% compared with 1989. Sales for the year reflect the impact of the decline in the U.S. and Canadian economies, which accelerated as the year progressed. We base this opinion on a combination of direct observation of our customers, the absence of significant price inflation in our markets, and the various industrial production indices available. Sales volume results for 1991, adjusted for the effects of inflation, decreased compared with 1990 by less than one percent, and increased compared with 1989 by approximately 3%. Inflation during 1991 was 2.1% compared with 1.6% for 1990.

Gross margin percentage was 15.1% for the current year compared to 14.9% for 1990 and 14.4% for 1989. The increase during the two-year period was the result of small changes in the mix of our business which were due to a higher proportion of through-warehouse business, which carries higher gross margins and correspondingly higher operating expense loads, as compared to direct carload business.

Operating expenses as a percentage of sales were 12.1% for 1991 compared with 11.5% and 11.1% for 1990 and 1989, respectively. Inflation was a factor in health care benefits costs and in general wage and salary rates. In addition, new regulatory requirements also contributed to increased costs. The operating expense increase during the current year of \$10,186,000 includes increased labor costs of \$5,005,000 attributable mainly to cost of living increases; increased costs of fringe benefits totaling

\$1,581,000, due primarily to increased costs of health care; increased legal costs of \$1,489,000; and increased costs of information systems of \$1,482,000. Costs attributable to programs such as safety and quality, accounted for the remainder of the increase.

Interest expense for 1991 decreased to \$10,832,000 compared with \$13,109,000 and \$11,443,000 for 1990 and 1989, respectively. The average cost of borrowing for the current year was approximately 9.5% compared with 10.3% for 1990 and 8.9% for 1989. The decrease in interest expense for the current year reflects the lower rates as well as an increase in interest capitalized in connection with construction of major assets, including the Corporation's new U.S. computer system and a new operating facility at Carencro, Louisiana. Interest capitalized for 1991 was \$2,780,000 compared with \$1,294,000 for 1990 and \$738,000 for 1989. The Corporation expects to complete the development of its new computer system during fiscal 1992.

Income taxes, including federal, state, and Canadian taxes, were provided at rates of 41.6%, 40.2%, and 41.0% for 1991, 1990, and 1989, respectively. The consistency in the effective rates reflects the lack of major changes in tax legislation in the United States and Canada since 1986.

Net earnings for the current year totaled \$19,648,000, or \$1.10 per share, down by 8.8% from the \$21,545,000, or \$1.22 per share, achieved in 1990, and down 1.6% from \$19,973,000, or \$1.13 per share, earned in 1989. The decrease in net earnings reflects the impact of the economic slowdown

and increasing expense loads, due in part to increasing costs of regulatory compliance which were not passed along to customers in the form of higher prices. While we approve of objectives such as faster funding and vesting of pensions, drug testing programs, worker and community right to know laws, and upgraded environmental controls, all these benefits have related costs. We and our competitors have learned over the years to pass along increases in merchandise costs, but we have not yet learned that these price increases must also be designed to support the rapidly escalating costs of new standards of social and environmental practices.

Liquidity and Capital Resources. Cash provided from operations totaled \$26,035,000 for the current year, down from the prior year total of \$51,681,000, and not significantly changed from the 1989 total of \$23,301,000. The two major elements of cash flow, earnings and depreciation, totaled \$33,849,000, falling only slightly from the \$35,928,000 total for 1990 and unchanged from the 1989 total of \$33,761,000. The decrease in the current year operating cash flow is primarily due to the increase in inventories and accounts receivable, totaling \$21,112,000, which was only partially offset by an increase of \$4,993,000 in accounts payable.

For the past several years we have identified a target ratio of approximately 1:1 for interest bearing debt to equity as the capital elements of our balance sheet. At year end, we were almost exactly on that target with the ratio standing at 1.03:1. This compares to .99:1 at

year end 1990 and 1.03:1 at year end 1989. However, given the size of projected capital expenditures, maintenance of this ratio at the targeted level is dependent upon our ability to improve inventory controls, reduce the investment in non-operating assets included in our balance sheet, and maintain reasonable levels of profitability. The Corporation will sharply focus its efforts on all three areas in the coming year.

Current ratio, the ratio of current assets to current liabilities, stood at 1.43:1, up from 1.35:1 and 1.33:1 in the two preceding years, and reflects the effects of various items discussed above.

Cash dividends per share declared this year totaled \$0.30, with \$0.075 per share payouts made in the months of March, June, September, and December. This payout was equivalent to the \$0.30 per share payout in fiscal 1990 and was a 50% increase over the rate of \$0.20 per annum which was effective in fiscal 1989. As a percentage of earnings, dividends in fiscal 1991 were paid at a 27% rate, as compared to a rate of 25% in 1990 and 18% in 1989. The Corporation has historically attempted to maintain a dividend payout in the range of 25%-35% of earnings, although any future dividend declaration is subject to a review of all existing and projected circumstances.

Return on beginning equity was 14.9% in 1991 compared to 18.8% in 1990 and 20.8% in 1989. This declining trend results primarily from the decline in earnings from 1990 to 1991 discussed earlier in this report, and the increase in the equity base over the last three years. The presence of unused assets, primarily real estate, in our capital structure also adversely affects

the rate of return.

The Corporation has available short-term bank lines that are adequate to support any anticipated requirements. In addition, long-term credit facilities have been maintained which are in excess of current requirements. Present plans call for the renegotiation of both long- and short-term credit arrangements during the upcoming fiscal year, with the objective of reducing principal payments scheduled over the next few years, as well as generally updating the arrangements to reflect the development of the Corporation since 1986, when the present terms were established.

Capital Expenditures. Capital expenditures for the year totaled approximately \$41.4 million, of which \$20.3 million or 49% represented capitalized expenditures related to the development of the UVX 2000™, our new U.S. computer system. The major facilities that were completed during the year were at Carencro, Louisiana, and at Winnipeg, Manitoba; both plants began operations late in the fiscal year. Construction costs for new chemical storage and distribution facilities, particularly tank farms but also warehouses, have increased much faster than the general construction index in the past few years. This is due to the increasingly complex and stringent requirements related to pollution protection for air, water, and soil, as well as for upgrading of fire protection standards. The increasing cost trend is important to us competitively because we have in place the best network of storage and distribution facilities in North America. While new construction and plant upgrades will continue to

be a substantial requirement for us, any competitor wishing to upgrade in order to duplicate our nationwide logistics capacity will face extremely high capital costs, as well as extended permitting delays.

Capital expenditures for the upcoming year are projected at \$42.3 million, with the major elements of that budget dedicated to the continued development of UVX 2000™, acquisition of land and construction of new warehouse facilities, and environmental projects.

Environmental Costs. As an industrial chemical distributor and handler of hazardous and potentially hazardous waste materials, the Corporation is subject to and complies with promulgated environmental and safety regulations. The Corporation spent approximately \$5,127,000, \$5,767,000, and \$2,912,000 for 1991, 1990, and 1989, respectively, relating to environmental matters for elective actions and to comply with environmental regulations. Of the amounts expended, \$4,039,000, \$4,406,000, and \$2,584,000 for 1991, 1990, and 1989, respectively, were charged against environmental reserves, and \$770,000 and \$904,000 were capitalized for 1991 and 1990, respectively. At February 28, 1991 and 1990, the Corporation had reserves for environmental matters of approximately \$5,417,000 and \$6,928,000, respectively. Compliance with increasingly stringent environmental and safety regulations is expected to result in higher expenditures for capital and operating expense items. Because of the frequent changes in laws and regulations and the uncertainties thereunder, as

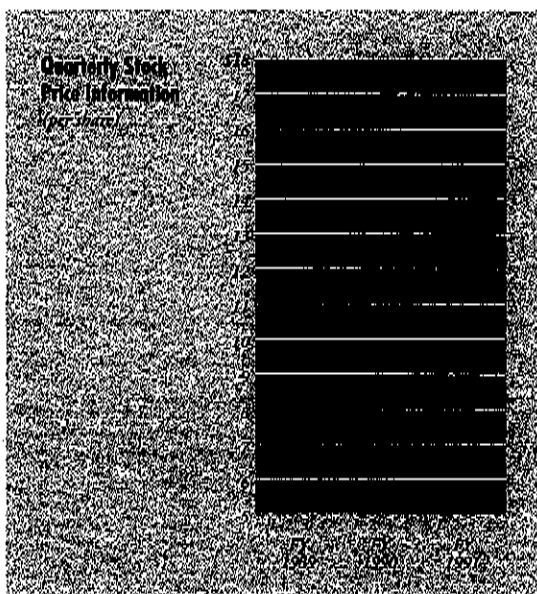
well as evolving cleanup technologies and methods, the Corporation cannot accurately predict the amount of such additional expenditures.

Stock Price. The closing price of a Univar common share on the New York Stock Exchange at February 28, 1991, was \$14.00 compared to \$12.25 a year earlier and \$12.63 on the

same date in 1989. Over the two-year period, the increase in stock price was 10.8%, compared to a 27.1% increase during the same period for the S&P 500.

During the year ending February 28, 1991, the price of a Univar common share ranged between a

high of \$16.50 occurring during July 1990 to a low of \$10.00 occurring during January 1991.



CONSOLIDATED STATEMENTS OF INCOME

<i>For the Years Ended February 28</i> <i>(Thousands of dollars, except per share items)</i>	<i>1991</i>	<i>1990</i>	<i>1989</i>
<i>Sales</i>	<i>\$1,396,229</i>	<i>\$1,378,864</i>	<i>\$1,307,865</i>
<i>Cost of Sales</i>	<i>1,185,576</i>	<i>1,173,134</i>	<i>1,120,139</i>
<i>Gross Margin</i>	<i>210,653</i>	<i>205,730</i>	<i>187,726</i>
<i>Operating Expenses</i>	<i>168,848</i>	<i>158,662</i>	<i>145,560</i>
<i>Income from Operations</i>	<i>41,805</i>	<i>47,068</i>	<i>42,166</i>
<i>Other Income (Expense):</i>			
Interest on borrowed capital (Note 1)	<i>(10,832)</i>	<i>(13,109)</i>	<i>(11,443)</i>
Other — net	<i>2,672</i>	<i>2,073</i>	<i>3,134</i>
<i>Income Before Provision for Taxes on Income</i>	<i>33,645</i>	<i>36,032</i>	<i>33,857</i>
<i>Provision for Taxes on Income (Notes 1 & 6)</i>	<i>13,997</i>	<i>14,487</i>	<i>13,884</i>
<i>Net Income</i>	<i>\$ 19,648</i>	<i>\$ 21,545</i>	<i>\$ 19,973</i>
<i>Net Income Per Share (Note 1)</i>	<i>\$ 1.10</i>	<i>\$ 1.22</i>	<i>\$ 1.13</i>

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>For the Years Ended February 28 (Thousands of dollars)</i>	<i>1991</i>	<i>1990</i>	<i>1989</i>
<i>Cash Flows Provided (Used) by Operating Activities</i>			
Net income	\$ 19,648	\$ 21,545	\$ 19,973
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Depreciation and amortization	14,201	14,383	13,788
Deferred taxes on income	13,009	9,658	1,703
Deferred liabilities and credits	(4,941)	(1,864)	(1,657)
Other — net	199	582	(82)
Change in assets and liabilities, net of effect of businesses acquired:			
Accounts receivable	(8,009)	(4,703)	(22,601)
Inventories	(13,103)	4,274	5,504
Accounts payable	4,993	5,301	684
Other current assets — net	2,163	757	1,174
Other current liabilities — net	(2,125)	1,748	4,815
<i>Net Cash Provided (Used) by Operating Activities</i>	<u>26,035</u>	<u>51,681</u>	<u>23,301</u>
<i>Cash Flows Provided (Used) by Investing Activities</i>			
Proceeds from investments	597	4,577	2,748
Payment for purchase of investments	(2,128)	(938)	(15,241)
Additions to property, plant, and equipment — net	(38,608)	(37,573)	(9,563)
Acquisition of businesses	—	(16,959)	(3,533)
Change in other assets — net	1,049	603	305
<i>Net Cash Provided (Used) by Investing Activities</i>	<u>(39,090)</u>	<u>(50,290)</u>	<u>(25,284)</u>
<i>Cash Flows Provided (Used) by Financing Activities</i>			
Short-term borrowings — net	2,272	(3,623)	17,651
Exercise of stock options	122	78	115
Long-term debt incurred	95,000	35,000	20,000
Reduction in long-term debt	(75,668)	(22,233)	(31,918)
Payment of dividends	(5,274)	(4,813)	(3,051)
<i>Net Cash Provided (Used) by Financing Activities</i>	<u>16,452</u>	<u>4,409</u>	<u>2,797</u>
<i>Net Cash Provided (Used)</i>	<u>3,397</u>	<u>5,800</u>	<u>814</u>
Cash and cash equivalents at beginning of year	13,255	7,455	6,641
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$ 16,652</u>	<u>\$ 13,255</u>	<u>\$ 7,455</u>
<i>Supplemental Disclosure of Cash Flow Information</i>			
Cash paid during the year for:			
Interest (net of capitalized interest)	\$ 10,479	\$ 12,497	\$ 10,638
Income taxes	\$ 6,357	\$ 5,608	\$ 13,115

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS

February 28 (Thousands of dollars)	1991	1990
Assets		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 16,652	\$ 13,255
Receivables —		
Trade accounts (less allowance for doubtful accounts of \$1,600 in 1991 and \$2,100 in 1990)	162,538	154,529
Other	4,764	6,901
Inventories (Note 2)	110,712	97,609
Prepaid expenses and other assets	3,334	3,360
Total current assets	298,000	275,654
<i>Real Properties Held for Sale and Long-Term Receivables</i>	31,429	29,682
<i>Property, Plant, and Equipment</i> (Notes 1, 4, & 5)		
Land	17,261	17,394
Buildings	65,884	62,681
Equipment	132,254	120,149
Leased property under capital leases	5,082	5,082
Construction in progress	51,634	24,225
	272,115	229,531
Less accumulated depreciation	83,712	67,088
Net property, plant, and equipment	188,403	162,443
<i>Other Assets</i>	8,579	9,629
	<u>\$526,411</u>	<u>\$477,408</u>

The accompanying notes are an integral part of these statements.

	1991	1990
Liabilities and Shareholders' Equity		
<i>Current Liabilities</i>		
Bank checks outstanding less cash in bank	\$ 12,996	\$ 4,120
Notes payable (Note 3)	10,426	8,154
Current portion of long-term debt	5,702	5,870
Accounts payable	153,448	148,455
Accrued payroll and other liabilities	26,288	37,115
Total current liabilities	208,860	203,714
<i>Long-Term Debt, less current portion (Notes 3, 4, 5, & 10)</i>	135,531	116,199
<i>Deferred Items</i>		
Deferred taxes on income (Notes 1 & 6)	23,484	10,475
Other deferred liabilities and credits (Notes 1 & 10)	10,199	15,140
Total deferred items	33,683	25,615
<i>Commitments and Contingencies (Notes 5 & 10)</i>		
<i>Shareholders' Equity (Notes 1 & 7)</i>		
Preferred stock, no par value		
Authorized — 750,000 shares	—	—
Common stock, par value \$.33 1/3 per share		
Authorized — 40,000,000 shares		
Issued — 20,118,502 shares in 1991 and 1990	6,706	6,706
Additional paid-in capital	39,790	39,057
Retained earnings	109,596	95,229
Cumulative translation adjustment	3,022	1,469
Treasury stock, at cost, 2,508,943 shares in 1991 and 2,597,802 in 1990	(9,554)	(9,857)
Deferred stock compensation expense	(1,223)	(724)
Total shareholders' equity	148,337	131,880
	<u>\$526,411</u>	<u>\$477,408</u>

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

<i>For the Three Years Ended February 28, 1991 (Thousands of dollars)</i>	<i>Common Stock</i>	<i>Additional Paid-in Capital</i>	<i>Retained Earnings</i>	<i>Cumulative Translation Adjustment</i>	<i>Treasury Stock</i>	<i>Deferred Stock Compensation Expense</i>	<i>Total Share- holders' Equity</i>
Balance, February 29, 1988	\$3,343	\$41,470	\$ 62,454	\$ (224)	\$(10,135)	\$ (654)	\$ 96,254
Net income	—	—	19,973	—	—	—	19,973
Exercise of stock options	—	35	—	—	80	—	115
Stock awards (32,374 shares)	11	554	—	—	—	(565)	—
Cash dividends at \$.20 per share	—	—	(3,489)	—	—	—	(3,489)
Foreign currency translation adjustment	—	—	—	1,535	—	—	1,535
Deferred stock compensation expense	—	—	—	—	—	340	340
Balance, February 28, 1989	3,354	42,059	78,938	1,311	(10,055)	(879)	114,728
Net income	—	—	21,545	—	—	—	21,545
Exercise of stock options	—	24	—	—	54	—	78
Stock awards (38,138 shares)	—	326	—	—	144	(470)	—
Cash dividends at \$.30 per share	—	—	(5,254)	—	—	—	(5,254)
Two-for-one stock split	3,352	(3,352)	—	—	—	—	—
Foreign currency translation adjustment	—	—	—	158	—	—	158
Deferred stock compensation expense	—	—	—	—	—	625	625
Balance, February 28, 1990	6,706	39,057	95,229	1,469	(9,857)	(724)	131,880
Net income	—	—	19,648	—	—	—	19,648
Exercise of stock options	—	49	—	—	73	—	122
Stock awards (65,240 shares)	—	684	—	—	230	(914)	—
Cash dividends at \$.30 per share	—	—	(5,281)	—	—	—	(5,281)
Foreign currency translation adjustment	—	—	—	1,553	—	—	1,553
Deferred stock compensation expense	—	—	—	—	—	415	415
Balance, February 28, 1991	<u>\$ 6,706</u>	<u>\$39,790</u>	<u>\$109,596</u>	<u>\$3,022</u>	<u>\$(9,554)</u>	<u>\$(1,223)</u>	<u>\$148,337</u>

The accompanying notes are an integral part of these statements.

Note 1

Summary of Accounting Policies

Principles of Consolidation. The consolidated financial statements include the accounts of the Corporation and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Translation of Canadian Currency. The accounts of the Canadian subsidiary are translated using the exchange rates in effect at the balance sheet date. Results of operations are translated using the average exchange rates prevailing throughout the period. The effects of unrealized exchange rate fluctuations on translating foreign currency assets and liabilities into U.S. dollars are accumulated as the cumulative translation adjustment in shareholders' equity. Realized gains and losses from foreign currency transactions are included in net income for the period.

Property, Plant, and Equipment. Expenditures for property, plant, and equipment and for renewals and betterments that extend the originally estimated economic lives of assets are capitalized at the related cost. Expenditures for maintenance, repairs, and other renewals are charged to expense. The Corporation's property accounts are maintained, for the most part, in multiple asset accounts. Gain or loss is recognized for dispositions. For financial reporting purposes, depreciation has been provided using the straight-line method over the estimated useful lives of the related assets. For income tax purposes, depreciation on certain assets is computed using accelerated methods. Interest costs of approximately \$2,780,000, \$1,294,000, and \$738,000 for fiscal years 1991, 1990, and 1989, respectively, have been capitalized in the cost of new assets.

Self-Insurance Reserves. The Corporation retains certain exposures in its insurance plan under various deductible or self-insured programs. Reserves for claims made are recorded at estimated costs as current liabilities. Reserves for estimated claims incurred but not yet reported are recorded as deferred credits.

Income Taxes. Income taxes are provided for all items included in the consolidated statements of income regardless of the period when such items will be deductible for tax purposes. The principal timing differences between financial and tax reporting arise from depreciation, software development, and environmental and other reserves. Accumulated undistributed earnings after taxes for the Canadian subsidiary amounted to approximately \$47,000,000 at February 28, 1991. No provision for Canadian withholding or United States federal income taxes is necessary, as it is management's intention that dividends will be paid only under circumstances which will not generate additional net tax cost.

Earnings Per Share. Earnings per common share are based on the weighted average number of shares outstanding during each year (17,795,911 for 1991, 17,728,232 for 1990, and 17,603,420 for 1989). There is no material dilution due to outstanding stock options.

Historical per share data have been restated to reflect the effect of a two-for-one stock split paid in the form of a 100% stock dividend on November 4, 1989, to shareholders of record October 16, 1989.

Statement of Cash Flows. The Corporation considers cash on hand, certificates of deposit, and other securities with original maturities of less than 90 days, as cash for purposes of the statements of cash flows. The effect of changes in foreign exchange rates on cash balances is not significant.

Revenue Recognition. The Corporation records revenues as orders are shipped.

Note 2

Inventories

Inventories consist primarily of finished goods. The method of valuation of inventories at balance sheet dates was as follows:

(Thousands of dollars)	1991	1990
At Cost (last-in, first-out method)	\$ 89,344	\$78,025
At Lower of Cost or Market (average-cost method)	21,368	19,584
	<u>\$110,712</u>	<u>\$97,609</u>

If the inventories valued on the LIFO method had been valued at first-in, first-out (FIFO) costs, they would have been \$25,819,000 and \$23,493,000 higher than reported at February 28, 1991 and 1990, respectively.

Note 3

Notes Payable

As of February 28, 1991, the Corporation had regular domestic and foreign short-term lines of credit of \$70,444,000, with loans against these bank lines of \$10,000,000. In addition, the Corporation had \$25,000,000 of commercial paper outstanding. The approximate average aggregate short-term borrowing and weighted average short-term interest costs were \$46,754,000 and 8.4% in 1991, \$40,044,000 and 9.2% in 1990, and \$37,475,000 and 9.2% in 1989. The maximum amount of short-term borrowing during the year was \$64,798,000 in 1991, \$57,914,000 in 1990, and \$50,000,000 in 1989.

At February 28, 1990, \$25,000,000 of commercial paper borrowing was reclassified to long-term debt, based upon available refinancing through the revolving credit agreement discussed in Note 4.

To compensate its banks for the availability of short-term and long-term credit, the Corporation has informal agreements to maintain average cash balances varying up to 5% of the available credit, or in certain cases to pay fees in lieu thereof.

Note 4

Long-Term Debt and Revolving Credit

The long-term debt of the Corporation and its subsidiaries at balance sheet dates was as follows:

<i>(Thousands of dollars)</i>	<i>1991</i>	<i>1990</i>
<i>Senior Debt:</i>		
Revolving credit agreement	\$ 55,000	\$ 40,000
Commercial Paper (Note 3)	25,000	25,000
Term credit agreement, 9.84%, unsecured, payable in equal annual installments from 1992 to 1996	16,667	20,000
Term credit agreement, 10.17%, unsecured, payable in 1992	10,000	10,000
Term credit agreement, 8.99%, unsecured, payable in 1994	10,000	—
Industrial revenue bonds, 72% to 88% of bank's prime, secured by certain real property, payable in installments to 1995	6,300	7,350
Industrial revenue bonds, 7.25% to 11.15%, secured by certain real property, payable in installments to 1999	4,250	4,950
Other	—	168
<i>Subordinated Debt:</i>		
Subordinated note, at prime rate, secured by certain real property, payable in installments with balance due in 1992	7,340	7,540
9.75% subordinated sinking fund debentures, payable in installments to 2000, net of unamortized debenture discount	1,871	2,034
<i>Capitalized Lease Obligations:</i>		
8.51% to 11.75%, secured by certain real property, payable in monthly installments to 2020	4,805	5,027
	<u>141,233</u>	<u>122,069</u>
Less current portion	5,702	5,870
Net long-term debt	<u>\$135,531</u>	<u>\$116,199</u>

Maturities of long-term debt for the fiscal years ending 1993-1996 are as follows:

1993	\$ 5,550
1994	16,470
1995	7,250
1996	4,120

Through a revolving credit agreement with a group of banks, the Corporation and its subsidiary, Van Waters & Rogers Inc., may borrow up to \$85,000,000 at prime rate, certificate of deposit rate plus 7/8% or LIBOR plus 7/8%, at the Corporation's option. The commitment was reduced by \$10,000,000 on March 1, 1991, and expires on December 31, 1993. The agreement also requires compensating balances of not less than 5% of the outstanding loan amount, or the payment of fees in lieu thereof, and fees of 3/8% on unused commitments.

At February 28, 1991, current debt maturities totaling \$17,340,000 were classified as long-term debt based upon available financing through the revolving credit agreement.

The long-term debt instruments include provisions specifying minimum current ratio, tangible net worth, debt/tangible net worth ratios, and net tangible assets/debt ratios. Under the most restrictive of the financial ratios, the Corporation's current ratio cannot fall below 1.20:1 and ratio of total interest bearing debt to tangible net worth cannot exceed 1.30:1.

On May 20, 1991, the Corporation entered into a Loan Agreement with a bank which provides \$40,000,000 of additional borrowing capacity, through November 30, 1992. On or before that date, the Corporation anticipates renegotiating all of its revolving credit agreements. The funds made available by the Loan Agreement may be used by the Corporation for working capital and other general corporate purposes.

On May 20, 1991, the Corporation amended its Credit Agreement with a bank allowing the Corporation up to 16 months to reimburse the bank for payments made by it in connection with letters of credit issued for the benefit of holders of Commercial Paper Notes issued by the Corporation. The effect of this amendment was to convert Commercial Paper borrowings to long-term debt.

VWR Corporation, in connection with its spin-off on February 28, 1986, continues to guarantee approximately \$7,340,000 of the Corporation's subordinated long-term debt.

Note 5

Leases

Rental expenses, net of amounts capitalized in connection with equipment used in the development of the UVX 2000™ U.S. computer system, was approximately \$13,445,000, \$9,543,000, and \$6,613,000 for 1991, 1990, and 1989, respectively. The Corporation and its subsidiaries occupy certain leased premises and lease certain other equipment. Leases that qualify as capital leases, as defined in Statement of Financial Accounting Standards No. 13, have been capitalized. The amount of such capitalized leases included in property, plant, and equipment and the related accumulated amortization was \$5,083,000 and \$2,980,000 in 1991, \$5,082,000 and \$2,756,000 in 1990. Lease amortization is included in depreciation expense.

Future minimum lease payments as of February 28, 1991, under capital leases and non-cancelable operating leases, having initial lease terms of more than one year, are as follows:

<i>Years Ending February 28/29 (Thousands of dollars)</i>	<i>Capital Leases</i>	<i>Operating Leases</i>
1992	\$ 740	\$18,901
1993	740	13,142
1994	740	8,022
1995	736	7,184
1996	706	3,714
Thereafter	4,852	17,259
Total minimum lease payments	8,514	\$68,222
Less amounts representing interest	3,709	
Present value of net minimum lease payments	\$4,805	

The present value of the net capital lease payments is presented in the February 28, 1991, balance sheet as long-term debt.

Note 6

Income Taxes

Income before provision for taxes on income for the years ended February 28 was composed of the following:

<i>(Thousands of dollars)</i>	<i>1991</i>	<i>1990</i>	<i>1989</i>
Domestic	\$25,388	\$27,779	\$24,932
Foreign	8,257	8,253	8,925
	<u>\$33,645</u>	<u>\$36,032</u>	<u>\$33,857</u>

Provision (benefit) for taxes on income consisted of the following:

<i>(Thousands of dollars)</i>	<i>1991</i>	<i>1990</i>	<i>1989</i>
Current —			
Federal	\$ (2,884)	\$ 3,601	\$ 6,639
State and Local	(234)	637	1,573
Foreign	3,481	3,467	4,111
	<u>363</u>	<u>7,705</u>	<u>12,323</u>
Deferred —			
Federal	11,345	5,182	1,292
State and Local	2,263	1,558	413
Foreign	26	42	(144)
	<u>13,634</u>	<u>6,782</u>	<u>1,561</u>
	<u>\$13,997</u>	<u>\$14,487</u>	<u>\$13,884</u>

Deferred income taxes result from timing differences in the recognition of certain items for income tax and financial statement purposes. The sources of these differences and the tax effect of each for the years ended February 28 were as follows:

<i>(Thousands of dollars)</i>	<i>1991</i>	<i>1990</i>	<i>1989</i>
Depreciation	\$ 1,999	\$ 2,557	\$1,176
Self-insurance reserves	487	677	136
Environmental reserves	2,128	1,297	649
Acquisition basis allocations — net	96	42	(844)
Inventory valuation	973	(212)	(181)
Software development	7,680	5,414	616
State income taxes	(651)	(647)	(109)
Receivable valuation	—	(830)	—
Alternative minimum tax credit	—	(1,790)	—
Container reserve	830	—	—
Other — net	92	274	118
	<u>\$13,634</u>	<u>\$ 6,782</u>	<u>\$1,561</u>

The accompanying financial statements reflect effective tax rates of 41.6% in 1991, 40.2% in 1990, and 41.0% in 1989. An analysis of the differences between these rates and the federal statutory rate is set forth below:

<i>(Thousands of dollars)</i>	<i>1991</i>		<i>1990</i>		<i>1989</i>	
	<i>Amount</i>	<i>Percent</i>	<i>Amount</i>	<i>Percent</i>	<i>Amount</i>	<i>Percent</i>
Federal tax at statutory rate	\$11,439	34.0%	\$12,251	34.0%	\$11,511	34.0%
State taxes, net of federal tax benefit	1,339	4.0%	1,449	4.0%	1,311	3.9%
Rate differential for foreign income	700	2.1%	703	2.0%	932	2.8%
Other — net	519	1.5%	84	0.2%	130	0.3%
	<u>\$13,997</u>	<u>41.6%</u>	<u>\$14,487</u>	<u>40.2%</u>	<u>\$13,884</u>	<u>41.0%</u>

The Corporation's federal income tax returns are closed for the year ended February 29, 1984, and all prior years.

In December 1987, the Financial Accounting Standards Board (FASB) issued Statement No. 96, "Accounting for Income Taxes" ("Statement No. 96"), adopting the liability method of accounting for deferred income taxes. In December 1989, FASB further extended final implementation of that pronouncement by two years. Statement No. 96 must be adopted by the Corporation no later than the fiscal year ending February 28, 1993. Under the provisions of Statement No. 96, the Corporation may recognize the impacts of adoption by recording the prior years' cumulative effect of the new rules entirely in the year of adoption or by restating all financial statements presented. While the Corporation currently does not expect that adoption of Statement No. 96 will significantly impact the amount of earnings reinvested in the business, deferred taxes will have to be adjusted to reflect federal income tax rates in effect at the time of adoption and to give effect to temporary differences for which no deferred taxes had been previously provided.

The Corporation's Long-Term Incentive Stock Plans provide for the granting to officers and key employees of non-qualified stock options, incentive stock options, and restricted stock awards. For incentive stock options the option price cannot be less than the fair market value of the Common Stock at the date of grant. Non-qualified stock options may be granted at less than the fair market value of the Common Stock. Options become exercisable at the rate of 20% per year beginning two years after the date of grant, and expire ten years after the date of grant. Options may be exercisable as determined by the committee of the Board that administers the Plan. Restricted Stock Awards (RSAs) may be granted or sold to officers and key employees. RSAs may not be sold or otherwise disposed of during the established restriction periods, presently five and six years.

During the year, the Corporation granted RSAs of 68,786 shares of stock to certain key employees. The market price at the date of grants was \$13.75. As of the date of grant the fair market value of these stock awards totaled approximately \$946,000, which amount has been deferred and, along with the remaining deferred portion of RSAs issued in prior years, is being amortized to operations over a six-year period. At February 28, 1991, unamortized deferred stock compensation expense of approximately \$1,223,000 is classified as such in the shareholders' equity section of the Corporation's balance sheet.

The committee of the Board of Directors that administers the Plans may, at its discretion, determine the number of shares, the purchase price, applicable vesting periods, and any other terms of each option or award. Options and awards include provision for acceleration of such applicable vesting periods in the event of certain transactions that may result in a change of control of the Corporation.

Under the Plans, a total of 561,152 shares were available for grant at February 28, 1991.

The following table summarizes activity in the Plans:

	<i>Number of Shares, Under Option</i>	<i>Number of Shares, Restricted Stock Awards</i>	<i>Number of Shares Available for Future Option or Award</i>	<i>Price Range</i>
Outstanding, February 28, 1989	419,860	211,742	272,208	\$ 3.81 - \$ 9.97
Granted	—	38,138	(38,138)	12.69 - 14.56
Exercised	(25,948)	—	—	3.81 - 5.91
Canceled or expired	(10,926)	—	10,926	4.19 - 8.72
RSAs vested	—	(30,138)	—	
Amendment to Plan	—	—	500,000	
Outstanding, February 28, 1990	382,986	219,742	744,996	3.81 - 14.56
Granted	121,220	68,786	(190,006)	11.20 - 13.75
Exercised	(26,371)	—	—	4.19 - 8.72
Canceled or expired	(2,616)	(3,546)	6,162	8.72 - 11.20
RSAs vested	—	(10,476)	—	5.50
Outstanding, February 28, 1991	475,219	274,506	561,152	3.81 - 14.56
Exercisable at February 28, 1991	216,117			

The Corporation and its subsidiaries have pension plans covering substantially all employees, excluding those employees covered by unions that operate plans independent of the Corporation or its subsidiaries. Nonunion

domestic pension benefits are based on years of credited service and the highest five-year average compensation. Contributions to the plan are based on the Projected Unit Credit actuarial funding method and are limited to amounts that are currently deductible for tax purposes. Contributions are intended to provide for benefits attributed to service to date and benefits expected to be earned during the plan year, based on the projected final average compensation.

Total pension expense (excluding union-sponsored, collectively bargained plans) was \$3,435,000, \$2,710,000, and \$1,878,000 in fiscal years 1991, 1990, and 1989, respectively.

The following table sets forth the domestic plan's funded status and amounts recognized in the Corporation's consolidated balance sheets at February 28:

<i>(Thousands of dollars)</i>	<i>1991</i>	<i>1990</i>
Actuarial present value of benefit obligations		
Vested	\$ 36,945	\$ 32,116
Non-vested	894	332
Accumulated benefit obligation	<u>\$ 37,839</u>	<u>\$ 32,448</u>
Projected benefit obligation	\$ 48,507	\$ 41,060
Plan assets at fair value	<u>(37,237)</u>	<u>(33,495)</u>
Projected benefit obligation in excess of plan assets	11,270	7,565
Unrecognized net transition obligation	(357)	(390)
Unrecognized prior service cost	(574)	(707)
Unrecognized net loss (plan changes and actuarial losses)	<u>(8,781)</u>	<u>(4,918)</u>
Accrued pension cost, included in accrued payroll and other liabilities in the Corporation's consolidated balance sheet	<u>\$ 1,558</u>	<u>\$ 1,550</u>

Net domestic pension expense includes the following components:

<i>(Thousands of dollars)</i>	<i>1991</i>	<i>1990</i>
Service cost (benefits earned during the fiscal year)	\$ 2,069	\$ 1,724
Interest cost on projected benefit obligation	3,808	3,416
Actual return on plan assets	(2,867)	(4,147)
Net amortization and deferral	<u>(270)</u>	<u>1,377</u>
Net domestic pension expense	<u>\$ 2,740</u>	<u>\$ 2,370</u>

The rate of increase in future compensation levels, and the expected long-term rate of return on plan assets used in determining the actuarial present value of the projected benefit obligations were 6% and 10%, respectively, as of March 1, 1991 and 1990. The weighted average discount rate used was 9.5% and 10% for 1991 and 1990, respectively. The market value of assets, which consist primarily of cash equivalents and equity securities, is as reported by the trustee bank serving the pension plan.

Certain employees are covered under union-sponsored, collectively bargained, defined benefit plans. Expenses for these plans were \$743,000 in 1991, \$660,000 in 1990, and \$607,000 in 1989, as determined in accordance with negotiated labor contracts.

Provisions of the Multi-Employer Pension Amendments Act of 1980 require participating employers to assume a proportionate share of a multi-employer plan's unfunded, vested benefits in the event of withdrawal from or termination of such plan. Information concerning the Corporation's share of unfunded, vested benefits is not available from plan administrators. Provisions of the Act may have the effect of increasing the level of contributions in future years.

Employees of the Corporation's foreign subsidiary are covered by a pension plan. Commencing in 1990, the Corporation was required to adopt certain accounting changes regarding its foreign plan under Financial Accounting Standards Board Statement No. 87; with no significant impact on fiscal year 1990 pension expense. Actuarially computed vested benefits exceeded plan assets by \$1,700,000 at December 31, 1990. Plan assets exceeded the actuarially computed vested benefits of the plan by \$518,000 at December 31, 1989. Pension expense under the foreign plan was approximately \$695,000 in fiscal 1991; \$340,000 in 1990, and \$234,000 in 1989.

Note 9**Other Post-Retirement Benefits**

The Corporation provides certain health care coverage to pensioners and survivors. Substantially all of the Corporation's employees may become eligible for those benefits if they reach retirement age while still working for the Corporation. These benefits are subject to deductibles, copayment provisions, and other limitations. The Corporation may amend or change the plan periodically. The cost of these benefits is recognized as expense as claims are paid. Costs incurred under the program were not significant for the current or prior years.

In December 1990, the Financial Accounting Standards Board issued a new standard on accounting for post-retirement benefits other than pensions. This new standard requires that the expected cost of these benefits must be charged to expense during the years that the employees render service. The Corporation is required to adopt the new accounting and disclosure rules no later than fiscal year ending February 28, 1994.

The Corporation has not determined when it will adopt the new standard or if it will adopt the new accounting method prospectively or by recording a cumulative catch-up adjustment in the year of adoption. However, if the Corporation adopts the standard prospectively, the annual expense is expected to be approximately \$1,000,000. Alternatively, if the Corporation elects the cumulative catch-up method, the result is expected to be a one-time expense of approximately \$4,000,000.

Note 10**Litigation and Contingencies**

Because of the nature of its business, the Corporation is involved in numerous contractual, product liability, and public liability cases and claims. The liabilities for injuries to persons or property are frequently covered by liability insurance and the deductible and self-insured portions of these liabilities, where applicable, have been accrued in these financial statements.

The Corporation or related entities have been contacted by various governmental agencies regarding potential liability for a share of the cost of cleanup of twenty-two separate waste disposal or recycling sites with alleged or confirmed contaminated soil and/or groundwater. With regard to several of these sites, the Corporation has denied liability because of an absence of any connection between the Corporation or related entities and the waste disposal or recycling site. At most sites which show some alleged evidence of an association between the Corporation or related entities and the waste disposal or recycling site, the Corporation is considered a *de minimis*, or small quantity, "potentially responsible party."

Seventeen owned, previously owned, or leased sites of the Corporation are currently undergoing remediation efforts or are in the process of active review of the need for potential remedial efforts. Some of these efforts are being conducted pursuant to governmental proceedings or investigations, while others are being conducted voluntarily by the Corporation, with appropriate state or federal agency oversight and approval.

The potential costs related to such matters and the possible impact thereof on future operations are uncertain due to: the uncertainty as to the extent of pollution at particular sites; the complexity of governmental laws, both state and federal, and their interpretation; the amount and timing of expenditures; the impact of varying alternative technologies and cleanup methodologies; the availability of insurance coverage and/or indemnity agreements for a portion of certain of these matters; the questionable level of the Corporation's involvement at certain sites; and the minimal amount of the alleged contributions by the Corporation to other sites.

Based upon the presently available information, management does not believe that the Corporation's share of responsibility for the above matters will have a material adverse effect on the Corporation's financial position or operations.

The Corporation maintains an insurance program of high deductible policies designed to protect against catastrophic losses, including certain environmental losses. Reserves are provided in accordance with generally accepted accounting principles for the probable and estimable losses that are uninsured by reason of deductibles or exclusions in the various insurance policies.

Given the Corporation's role as an industrial chemical distributor and handler of hazardous and potentially hazardous waste materials, compliance with environmental laws is expected to continue to impact the Corporation's operations. For the years ended 1991, 1990, and 1989, the Corporation spent approximately \$5,127,000 and \$5,767,000, and \$2,912,000 respectively, relating to environmental matters for elective actions and to comply with federal, state, or local environmental regulations. Of the amounts expended, \$4,039,000, \$4,406,000, and \$2,584,000 for 1991, 1990, and 1989, respectively, were charged against environmental reserves and \$770,000 and \$904,000 were capitalized for 1991 and 1990, respectively. At February 28, 1991 and 1990, the Corporation had reserves for environmental matters of approximately \$5,417,000 and \$6,928,000, respectively.

The Corporation has filed a lawsuit against approximately forty-five insurance companies to recover under prior comprehensive general liability policies for cleanup activities at various company owned or leased, and third-party sites with which the Corporation is involved. To date, sizable settlements with a number of those insurance companies have been obtained.

Two lawsuits in the U.S. District Courts in Florida have been filed against Van Waters & Rogers Inc., a wholly owned subsidiary of the Corporation, and seven other defendants. The complaints allege violations of state and federal antitrust laws in connection with the sale of chlorine to municipal entities in the State of Florida. Based on Van Waters & Rogers' share of the chlorine market in Florida, and based on information presently known to the Corporation, management believes that any damages that might be asserted against Van Waters & Rogers would not have a material adverse effect on the Corporation's financial position or operations. The Corporation believes the suits to be without merit and is vigorously defending against them.

At February 28, 1991, the Corporation had letters of credit outstanding totaling approximately \$43,600,000, which guaranteed various insurance and financing activities. These are automatically renewable each year.

Note 11

Industry Segment Information

Univar Corporation operates in only one industry segment (chemical distribution) in both the United States and Canada. Operations in Canada, included in the consolidated statements, consisted of the following:

<i>(Thousands of dollars)</i>	<i>1991</i>	<i>1990</i>	<i>1989</i>
Sales	\$198,219	\$196,512	\$194,102
Operating income	7,208	7,559	8,252
Identifiable assets	79,667	70,758	65,396
Depreciation and amortization expense	1,136	1,123	1,054
Capital expenditures	3,938	1,464	2,882

Note 12**Subsequent Events**

On December 21, 1990, the Corporation announced that it and Pakhoed Holding N.V. had entered into negotiations with Beijer Industries A.B. of Stockholm, Sweden, regarding the potential acquisition of the Industrial Distribution Group of Beijer Industries A.B. On April 4, 1991, the Corporation announced that an agreement in principle had been reached whereby a new holding company, Univar Europe, would be formed through the combined investment by the Corporation, Pakhoed Holding N.V., and Beijer Industries A.B. to execute the purchase of the Beijer Industrial Distribution Group for a total purchase price of approximately \$54 million. The Corporation's share of the ownership of Univar Europe and therefore its portion of the purchase price will be 51%. Closing of the purchase of the Beijer Industrial Distribution Group will be delayed until receipt of approval of the transaction by the Swedish government.

The Corporation also announced, on April 4, 1991, that it would fund the Univar Europe transaction through the sale of 1,900,000 new shares of common stock of the Corporation to The Dow Chemical Company for a total cash consideration of approximately \$30 million, making Dow an owner of approximately 9.5% of the Corporation's shares to be outstanding.

On April 10, 1991, the Corporation acquired the distribution assets of Mathieu Corporation and related subsidiaries for a purchase price of \$9,754,000. In connection with the acquisition, the Corporation received assets with an estimated value of \$12,205,000 and assumed liabilities totaling approximately \$2,451,000.

Note 13**Quarterly Financial Data (Unaudited)**

<i>(Thousands of dollars, except per share data)</i>	<i>First Quarter</i>	<i>Second Quarter</i>	<i>Third Quarter</i>	<i>Fourth Quarter</i>
Fiscal Year 1991				
Sales	\$362,061	\$362,102	\$353,104	\$318,962
Gross Margin	52,596	54,063	50,946	53,048
Net Income	5,746	5,732	4,569	3,601
Net Income per Share	.32	.32	.26	.20
Fiscal Year 1990				
Sales	\$359,618	\$353,931	\$348,048	\$317,267
Gross Margin	49,215	51,406	51,301	53,808
Net Income	4,715	5,655	5,758	5,417
Net Income per Share	.27	.32	.32	.31

MANAGEMENT RESPONSIBILITY FOR FINANCIAL DATA

To the Shareholders of Univar Corporation:

The management of Univar Corporation has prepared and is responsible for the integrity and fairness of the financial statements and other financial information presented in this annual report. The statements have been prepared in accordance with generally accepted accounting principles and, to the extent appropriate, include amounts based on management's judgment and/or estimates. In order to discharge its responsibilities for these financial statements and information, management maintains accounting systems and related internal controls. These controls are designed to provide reasonable assurance that transactions are properly authorized and recorded, that assets are safeguarded, and that financial records are reliably maintained. The concept of reasonable assurance, however, incorporates an acknowledgment that the cost of a control system must be related to the benefits derived.

Univar monitors the effectiveness of and compliance with its control systems through a full-time internal audit program.

Management has reviewed the recommendations of both the internal auditors and of Arthur Andersen & Co., and has responded in what we believe to be appropriate and cost-effective ways.

The Audit Committee of the Board of Directors, which is composed solely of outside directors, meets periodically with management and with the internal and independent auditors to review the quality of financial reporting, the operation and development of the internal control systems, and the work of internal and independent auditors.

The independent auditors and also the internal auditors each regularly meet with the Audit Committee without the presence of any other parties.

Nicolaas Samson
Senior Vice President
Finance and Administration
(Chief Financial Officer)

Gary E. Pruitt
Vice President and Treasurer
(Chief Accounting Officer)

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders of Univar Corporation:

We have audited the accompanying consolidated balance sheets of Univar Corporation (a Delaware corporation) and subsidiaries as of February 28, 1991 and 1990, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended February 28, 1991. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Corporation's wholly owned Canadian subsidiary, which statements reflect assets and revenues constituting approximately 15% and 14%, respectively, of the consolidated totals. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the subsidiary, is based solely on the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Univar Corporation and subsidiaries as of February 28, 1991 and 1990, and the results of their operations and their cash flows for each of the three years in the period ended February 28, 1991, in conformity with generally accepted accounting principles.

Seattle, Washington,
April 25, 1991.

Arthur Andersen & Co.

FIVE-YEAR FINANCIAL SUMMARY

<i>For the Fiscal Years Ended February 28/29 (Thousands of dollars, except per share data)</i>	1991	1990	1989 ¹	1988 ¹	1987 ^{1,2}
Sales	\$1,396,229	\$1,378,864	\$1,307,865	\$1,117,309	\$ 693,279
Cost of sales	1,185,576	1,173,134	1,120,139	950,464	589,904
Gross margin	210,653	205,730	187,726	166,845	103,375
Operating expenses	168,848	158,662	145,560	137,589	96,733
Income from operations	41,805	47,068	42,166	29,256	6,642
Interest expense	(10,832)	(13,109)	(11,443)	(10,315)	(6,198)
Other income — net	2,672	2,073	3,134	2,495	1,051
Income before provision for taxes	33,645	36,032	33,857	21,436	1,495
Provision for taxes	13,997	14,487	13,884	10,273	783
Net income	\$ 19,648	\$ 21,545	\$ 19,973	\$ 11,163	\$ 712
Weighted average common shares outstanding	17,796	17,728	17,603	17,529	13,374
Net income per share	\$ 1.10	\$ 1.22	\$ 1.13	\$ 0.64	\$ 0.06
Cash dividends declared per share	\$ 0.30	\$ 0.30	\$ 0.20	\$ 0.10	\$ 0.10
Total assets	526,411	477,408	431,428	394,667	346,555
Total debt	151,659	130,223	117,673	120,932	111,634
Long-term debt	135,531	116,199	103,432	115,350	102,776
Working capital	89,140	71,940	63,739	67,171	51,201
Shareholders' equity	148,337	131,880	114,728	96,254	85,068
Book value per share	8.42	7.53	6.57	5.54	4.90
Return on beginning equity	14.9%	18.8%	20.8%	13.1%	1.6%

¹ Historical per share data have been restated to reflect the effect of a two-for-one stock split paid in the form of a 100% stock dividend November 4, 1989, to shareholders of record October 16, 1989.

² Reflects acquisition of substantially all of the assets, subject to certain liabilities, of McKesson Chemical Co. (MCC), effective November 1, 1986. Operating results of MCC from November 1, 1986, have been included in the consolidated statements of income from that date forward.

BOARD OF DIRECTORS

James H. Wiborg
(1964)^{3,6}
Chairman
Univar Corporation

James W. Bernard (1986)^{3,4,6}
President and Chief Executive Officer
Univar Corporation

H. P. H. Crijns (1986)³
Chairman, Managing Board
Pakhoed Holding N.V.
Chemical logistic services

Richard E. Engebrechts (1984)^{3,4}
President and Chief Executive Officer
Momentum Distribution Inc.
Industrial distribution

Mark W. Hooper (1986)⁶
Vice President
Pakhoed Holding N.V.
Chemical logistic services

Curtis P. Lindley (1984)^{1,3,6}
Retired Chairman of the Board
PENWEST LTD.
Grain processing

N. Stewart Rogers (1990)^{3,5}
Senior Vice President
Univar Corporation

Robert S. Rogers (1970)^{2,5}
President
Lands-West, Inc.
Recreational real estate development

Andrew V. Smith (1982)^{1,2,4}
Retired President
U S WEST Communications
Telecommunications

William K. Street (1975)^{1,2}
President
The Ostrom Company
Mushroom growers and distributors

Nico van der Vorm (1987)³
Chairman-Executive Board
HAL Holding N.V.
Investments

G. Verhagen (1986)^{1,2}
Managing Director
Pakhoed Holding N.V.
Chemical logistic services

Emeritus
M. M. Harris

OFFICERS

James H. Wiborg
Chairman

James W. Bernard
President and Chief Executive Officer

N. Stewart Rogers
Senior Vice President

Bevan A. Cases
Senior Vice President-Sales, Marketing,
and Material Management

Dick A. Davis
Senior Vice President-Operations

James L. Fletcher
Senior Vice President-Environmental
and Corporate Affairs

Nicolaas Samsom
Senior Vice President-Finance
and Administration

William A. Butler
Vice President, General Counsel,
and Corporate Secretary

Albert C. McNeight
Vice President
President, Van Waters & Rogers Ltd.

David C. Gentry
Vice President-Human Resources

Gary E. Pruitt
Vice President and Treasurer

Guenther Zimmer
Vice President-Engineering

David E. Olson
Assistant Treasurer

() Year of election as
Director of Univar
Corporation or its
predecessor

¹ Audit Committee
² Compensation
Committee
³ Executive Committee
⁴ Nominating
Committee
⁵ Retirement Plan
Committee
⁶ Public Policy
Committee

PRINCIPAL OPERATING UNITS

Van Waters & Rogers Inc.

General Offices:
1600 Norton Building
801 Second Avenue
Seattle, Washington 98104

After September 1, 1991
6100 Carillon Point
Kirkland, WA 98033
(206) 889-3400

Officers:
James W. Bernard
President

Bevan A. Cates
Senior Vice President—Sales, Marketing,
and Material Management

Dick A. Davis
Senior Vice President—Operations

James L. Fletcher
Senior Vice President—Environmental
and Corporate Affairs

Nicolaas Sansom
Senior Vice President—Finance
and Administration

James F. Lacey
Regional Vice President—Northern Region

Rod S. Nugent
Regional Vice President—Western Region

Darwin H. Simpson
Regional Vice President—Southern Region

William A. Butler
Vice President, General Counsel,
and Corporate Secretary

Norman R. Ehmman
Vice President—Pest Control Supplies

Gerald R. Fischer
Vice President—Marketing

David C. Gentry
Vice President—Human Resources

L. Dwight Landry
Vice President—ChemCare

Daniel McCaskill
Vice President—Los Angeles Basin Project

Gary E. Pruitt
Vice President and Treasurer

Gruenter Zimmer
Vice President—Engineering

Van Waters & Rogers Ltd.

General Offices:
P.O. Box 2009
Vancouver, British Columbia
Canada V6B 3R2

Officers:
Albert C. McNeight
President

Paul H. Hough
Executive Vice President

Hans Walser
Vice President—Eastern Canada

Fred Hermesmann
Treasurer

Muriel MacEwen
Assistant Treasurer

R. Keith Yardley
Secretary

William A. Butler
Assistant Secretary

GENERAL INFORMATION

Corporate Offices

1600 Norton Building
801 Second Avenue
Seattle, Washington 98104
(206) 441-5911

After September 1, 1991

6100 Carillon Point
Kirkland, WA 98033
(206) 889-3400

Form 10-K

The Corporation's Annual Report on Form 10-K, filed with the Securities and Exchange Commission, will be available at no charge to shareholders upon request to William A. Butler, Corporate Secretary, at the above address.

Counsel

Preston Thorgrimson Shidler Gates & Ellis
5400 Columbia Seafirst Center
701 Fifth Avenue
Seattle, Washington 98104

Independent Public Accountants

Arthur Andersen & Co.
801 Second Avenue, Suite 800
Seattle, Washington 98104

Transfer Agent and Registrar

First Interstate Bank Ltd.
26610 West Agoura Rd.
Calabasas, California 91302
(800) 522-6645

Shareholder Information

First Interstate Bank Ltd.
Shareholder Services
(800) 522-6645

Stock Exchange Listings

Common Stock
New York Stock Exchange (Symbol UVX)
Pacific Stock Exchange (Symbol UVX)

9-3/4% Debentures

New York Stock Exchange

Annual Meeting

Friday, August 23, 1991
9:00 a.m.
Museum of Flight
9404 East Marginal Way South
Seattle, Washington

Univar
CORPORATION

An Equal Opportunity Employer

1600 Norton Building
801 Second Avenue
Seattle, WA 98104

Printed in USA

BR001567

5) Saramro dba as Samson Chemical

Ex # 91 - One month unincorporated, as

is one line entry. No sales

May consolidate in 1992.

Not changing Samson parent
retains other O/H items.

Ansham

Locke Ph 10/25/91

I SPS - lending report summary -

II Jerome contracted arrangement
(competitor)

Six month trial period ended 10/1/91

- 3.5m turnover volume - losing money
- no real customer conflicts
- { keep 2 economic sectors - Truck
New product line - epoxy
- 3 trucks and 3 other personnel
- during trial period (?) Jerome pay for a truck?
about \$25,000/mo
- Robert Costa (BSE MBA) Buck-up
Locke. Getting into Trucking in Locke
can concentrate on retail / proprietary
- split profits - Costa's division of his 50%
- not an ESOP
- Jerome use Ansham's inventory taken
care of our responsibilities
- In two year buy company.

(OVER)

III Other

• Tanks must be double-walled by 1998
Phoned.

• affix lease renewal form

• Reduce Tech. direction of Chevron on fuel

• Fuel usage = \$1000 extra / mo for five months - 1992

Cenchem

Ken La Conda - PH/H/4/91

213-426-9544

Environmental Issues

Status - further investigation on hold
until L.A. Water Quality Control
Board reviews SCS report submitted
seven months ago.

One drilled one groundwater well
so far. WQCB may require two
more. G. W. Wells. Cost \$50,000

Achen is handling tank testing
themselves. One problem leaking.
Fed reg. would require tanks to
be replaced by 1998.

Concern about possible leaching or
contamination from McKenon.
+ Linda Air contamination properties.
McKenon actually under way.

(OVER)

Conclusions

1) Awaiting preliminary regulatory review from L.A. WOCB

2) No major threats - ^{not} shut down or big remedial costs.

3) Regulatory review process goes on "for years" ¹³

4) On-going testing and threats likely.

5) Property "devalued". Transfer postponed indefinitely (EMP)

Comparable Companies--Publicly Traded

Revenue Ruling 59-60 suggests that the appraiser consider the market price of stocks of corporations engaged in the same or a similar line of business having their stock actively traded in a free and open market or over the counter. Bramstedt Associates has made an exhaustive search for comparable public companies which can be deemed to be similar to Anchem. No single company proved to be a worthy publicly traded comparable. Public companies are generally much larger and more diverse both geographically and in business operations.

Univar Corp., a public company, is the largest U.S. chemical distributor with fiscal 1989 revenues of \$1.28 billion. Van Water & Rogers, a Univar division, is a direct Anchem competitor. In fiscal 1990 Univar spent \$4.0 million on certain environmental elective actions and has reserves of \$8.9 million for estimated remedial and other related costs. Univar's net income per share was \$1.23 and cash flow (net income plus depreciation) was \$2.03 for the fiscal year ended February 28, 1990. Univar's current ratio as of that date was 1.23:1; debt to equity was 0.9:1 and book value was \$7.53 per share. Return on sales and equity were 14.8% and 16.3% respectively. As of April 30, 1990, Univar common was trading at \$12.44 or 1.68X book value, 11.3X earnings, 6.8X cash flow and 18% of revenues.

Normally, Bramstedt Associates would select a capitalization rate or Price/Earnings ratio by reference to P/E ratios for market indices such as the Dow Jones Industrials, Standard & Poor's 400 and Moody's Chemical Industry composite. Since a capitalization of earnings methodology is not now being employed, such a reference is not appropriate. Univar's market capitalization rates may be broadly referenced although Univar is a substantially larger and much more geographic, customer and product diverse company.

Cash Flow and Earnings Capacity

The prior ESOP valuations by Charles Stark, PC, appear to rely on conclusions derived from capitalizing five-year average of net income, aftertax cash flow and pretax available cash flow, among other methods. Aftertax cash flow is net income plus depreciation. Available cash flow before taxes is pretax income plus profit share/ESOP contribution plus depreciation. Depreciation in fiscal 1990 and 1989 was \$194,000 and \$211,000 respectively. Anchem's earnings and cash flow as just defined for fiscal 1990, 1990 and 1989 are shown below:

Period	Net Income	Cash Flow	
		Available	After Tax
F 1991	(\$36,000)	\$11,120	\$115,000
Fy1990	(\$239,000)	(\$31,000)	(\$45,000)
Fy1989	(110,000)	69,000	101,000

Note: Figures have been rounded.

For the instant valuation, the appraiser believes the stated book value of ~~\$1,767,000~~ should be discounted 5% or ~~\$89,350~~ to reflect the opinion that fixed assets and inventory would be liquidated at below book or carrying value.

Since management has not provided Bramstedt Associates with specific current estimates of plant and equipment market value, the appraiser's 5% discount to an adjusted value of ~~\$1,697,650~~ is somewhat judgmental. At the valuation date, Anchem was essentially long-term debt free and working capital was ~~\$1.34~~ million.

Subtracting working capital of ~~\$1.34~~ million from the adjusted book value suggests the plant and equipment may be worth in an orderly liquidation ~~\$353,650~~ versus a book cost of ~~\$465,000~~. Part of this figure could represent business goodwill and going concern value although economic worth of these elements, which Bramstedt Associates has not attempted to otherwise quantify, is shrinking as the Company loses customers and sales.

tors. The largest of these is Univar Corp. with annual sales of \$1.4 billion. The top 50 hold about half of the market with an approximate \$6.7 billion of sales shared by 950 companies or a simple average of \$7 million per company. The top four distributors are publicly held or divisions of public companies while the small operators are privately owned. The large companies are generally growing faster than the smaller participants.

The number of new distributors entering the business is shrinking and smaller companies are leaving the business or are being acquired by large companies. The major reason for this contraction is the mass of federal, state and local regulations on environment, health safety, storage, transportation, labeling and worker and public disclosure. Large resources are needed to meet the consequent legal, technical, insurance, and operations requirements. Private company owners' net worth is increasingly at risk. Attempts to exit the business or to sell private company stock, facilities or real estate may be entangled in potential environmental liabilities. Such has been the case at Anchem where the stockholder/founders have been trying to sell the Anchem real property site to the Company for some time.

(Note - The above industry information is excerpted from Univar Corp.'s 1990 annual report.)

has no environmental agency actions, citations or violations as of this report date.

One pending regulation would ban the use of charcoal lighter fluid and restrict the manufacture of certain paints and solvents in the Los Angeles Basin. However, the most imminent issue facing Anchem is the possible existence of surface and underground soil and water chemical contamination at the Santa Fe Springs site. The pollution question has also impeded the property ownership transfer discussed earlier.

As of September 1989, SCS Engineers, Anchem's environmental consultant, had just been retained and neither it nor the Company could then quantify the scope or magnitude of Anchem's possible contamination problems, which potentially could have involved major investigation, clean-up or remedial costs. Anchem has no environmental liability insurance nor had any reserves been established.

In the intervening year, SCS has completed several core and one groundwater well and related analysis. Minor surface contamination was found from run-off. Some chemical contamination was detected in the groundwater well which source may be part Anchem's and part from a contiguous McKesson plant site. Contaminant levels are low and will not require extensive treatment, according to SCS. The underground storage tanks were not leaking, which will obviate the need for expensive repairs and monitors, and the tanks will not now have to be replaced.

The Water Resources Board may require more groundwater test wells. The Company conducts regular inventories to monitor for tank or pipe leaks. Testing costs (SCS) in fiscal 1990 were \$21,000 and may be the same in fiscal 1991.

As of the summer of 1990, Anchem is in compliance and is not facing any significant operational or financial constraints from environmentally related problems. As contrasted with a year ago, there are no major prospective remedial or clean-up costs. For the time being, the Company has the financial resources to handle the anticipated testing and compliance procedures. Its ability to conform at this time with more clearly defined environmental obligations is a positive valuation consideration as compared with the uncertain situation at the April 30, 1989 valuation date.

The Industry

Chemical manufacturing has a real growth rate that is 15% to 20% above the GNP and an increasing portion of that is sold through chemical distributors. Thus chemical distributor sales are growing faster than chemical manufacturing sales as distributors increase their market share.

The chemical distribution business is estimated at \$14 billion (5% of total chemicals produced) which is sold by 1,000 distribu-

DRAFT DOCUMENT
FOR REVIEW PURPOSES ONLY

respectively. PERC and toluene were detected at concentrations of 100 ug/l and 10 ug/l, respectively. 1,1,1-TCA and TCE were detected at concentrations of 120 ug/l and 210 ug/l, respectively. Xylene was detected at a concentration of 18 ug/l.

SUMMARY AND CONCLUSIONS

Subsurface Soils

Results of this investigation indicate that elevated concentrations of VOCs exist in subsurface soils in the vicinity of the underground storage tank farm, primarily in the vicinity of a spill drain located in the east central portion of the site. Based on field observations and analytical data, it appeared that the highest concentrations of contaminants were present near a broken pipeline which was connected to this spill drain.

Elevated levels of ethylbenzene, PERC, toluene, and xylene were detected in the grab samples which were retrieved in the vicinity of the broken pipeline. Samples collected to a depth of 40 feet in BH14, which was drilled adjacent to the broken pipe line, also contained the most elevated concentrations of VOCs. Contaminants identified at a depth of 40 feet were an order of magnitude smaller than those identified near the surface.

BH6, which was drilled approximately 22 feet southeast of the suspected "hot spot", contained the next most elevated levels of contaminants. Borings BH1, BH2, BH3, and BH9, drilled near the western portion of the property did not contain significant levels of contamination.

Based on this information, and the fact that recent tank integrity tests and inventory records have not identified any leaking underground storage tanks, it appears that the broken line near the spill drain, was the source for the contamination identified in soils near the southeast corner of the tank farm. The purpose of this piping remains unknown. The piping was plugged with concrete where it penetrates the spill drain.

Ground Water

Elevated levels of VOCs were also detected in sample MW1-1. Benzene, 1,1-DCA, 1,1-DCE, PERC, TCE, and trans-1,2-DCE were all detected at concentrations considerably above their respective maximum contaminant level (MCL). In addition,

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toluene, 1,1,1-TCA and xylene were detected at concentrations below their respective MCL or state recommended action level (AL).

With water level data from one well it is not possible to determine the direction of ground water flow beneath the subject site or whether ground water contaminants may have migrated from on-site or off-site sources. In addition, due to the variances in lithologies and depth to ground water encountered on-site, it appears that both a perched aquifer and the Gage aquifer were encountered during drilling. Based on present information it is not possible to determine if the two aquifers are hydraulically connected.

In addition, it is unknown what affect discharged water in the unlined pit at Liquid Air Products have on the ground water and soils beneath the subject site. Water discharged to the ground may alter ground water levels and flow direction. The chemistry of the discharged water is also unknown.

RECOMMENDATIONS

Additional ground water investigation is recommended for the subject site. Prior to such an investigation, SCS recommends review of the remedial investigation for the McKesson site, which will be available in March 1991. Information obtained from the McKesson remedial investigation would be beneficial for planning further investigative work at the subject site.

After review of this information, it is recommended that a work plan be prepared describing further ground water monitoring. This report is to be submitted to the lead regulatory agency.

See P 15 Cover

Final

JOINT VENTURE AND SALE AGREEMENT

THIS JOINT VENTURE AND SALE AGREEMENT ("Agreement") is made as of March 31, 1991 between ANGELES CHEMICAL CO., INC., a California corporation ("Angeles"); and SARAMCO, INC., a California corporation doing business as "Samson Chemical Co." ("Samson").

Recitals

A. Angeles has for many years owned a chemical distribution business which Angeles currently operates out of a facility ("Facility") located in Santa Fe Springs, California.

B. Samson also owns and operates a chemical distribution business in California.

C. Angeles and Samson currently sell various chemical products in common (collectively, the "Common Products").

D. Angeles and Samson believe that, by combining their assets and operations pursuant to the arrangement described in this Agreement, they could achieve certain economies of scale and otherwise benefit.

E. During the periods hereinbelow referred to (the Joint Venture period), and until the Transfer of Remaining Samson Business At Expiration of Term, as provided for in Section 1.7 b. (3) hereof, Angeles and Samson will continue to act as separate corporate entities, and each company shall remain responsible for its own liabilities, debts and taxes, except to the extent expressly provided otherwise in this agreement.

Re other assets sold

THEREFORE, the parties agree as follows:

ARTICLE I -- INTEGRATION OF OPERATIONS

Section 1.1 -- Operations Transferred by Samson. Effective April 1, 1991 (the "Effective Date"), Samson shall transfer its business operations to Angeles' Facility as follows:

A stock sale
a. Inventory. Samson shall transfer to the Facility Samson's entire inventory of bulk, bagged and drum chemical products as of the Effective Date. Angeles will provide a record of receipt of products from Samson. Angeles will promptly credit Samson's purchase account for common inventory items at Angeles' current product cost plus 0.5% for shrinkage plus \$.03 per gallon for items normally trucked by Angeles into their facility plus \$17.00-\$19.50 for any empty or full reconditioned drums. Inventory records for noncommon products will be maintained by Angeles based upon the inventory cost values supplied by Samson. Angeles will cost out shipments of the noncommon products based upon these

supplied values. (Angeles will not purchase the transferred noncommon product inventory). To the extent that it is determined that any of Samson's inventory is defective or otherwise nonmarketable, Samson shall be solely responsible for any costs incurred in the disposition of such inventory.

b. Business Records. Samson shall also transfer to the Facility such of Samson's customer lists and records, operating files and other business information (whether in writing or on tape, disk or other media) as Samson may require to transact business with current and prospective accounts on and after the Effective Date.

c. Employees. Immediately before the Effective Date, Samson shall terminate the employment of all of its current employees. As described more particularly in Subsection 1.4.b below. Angeles shall then offer to employ at the Facility Samson's present president, sales persons, order clerk and warehouseman, commencing on the Effective Date; Angeles may, in its sole discretion, also offer to employ one or more of Samson's current truck drivers.

d. Disposition of Certain Assets. As soon as practicable after the Effective Date, Samson shall dispose of its trucks, trailers, fork lift, office furniture and equipment, warehouse and all of its other fixed assets which will not be transferred to the Facility pursuant to the foregoing.

Section 1.2 -- Conduct of Operations. Commencing on the Effective Date and continuing throughout the term ("Term") of this Agreement, Samson shall conduct its business operations in the Facility in accordance with this Agreement. While Samson and its business shall remain separate and distinct from Angeles and its business throughout the Term, the parties agree to use their respective best efforts to integrate Samson's business operation with Angeles' systems and procedures so as to minimize, to the extent practicable, confusion and dislocation during the Term. In this regard, Samson shall, without limitation, comply throughout the Term with Angeles' prevailing rules governing minimum order volumes for blends and such other reasonable rules as Angeles may impose from time to time regarding its plant practices and order minimums.

Section 1.3 -- Maintenance of Business Relationships

a. Suppliers. Samson shall use its best effort throughout the Term to maintain its pre-existing business relationships with all of its suppliers who are not now suppliers to Angeles (including, without limitation, Texaco, Chori America, Carborundum, Reichhold Chemicals, Inc. and U.S. Can) so that both Samson and Angeles shall have the opportunity during the Term to purchase products from such suppliers. While Samson cannot guarantee that its efforts in

this regard will be successful, Samson has no reason to believe that any of its current suppliers will decline to sell products to Samson and Angeles after the Effective Date.

b. Customers. Samson shall also use its best efforts throughout the Term to continue to sell products to its preexisting customers. Samson shall also attempt to make sales to new customers. During the initial Term of this Agreement, Samson shall also be responsible for collecting its own accounts receivable.

Section 1.4. -- Support Provided by Angeles

a. Space. Beginning on the Effective Date, Angeles shall provide, at no cost to Samson, adequate warehouse space in the Facility to store all of the inventory that Samson transfers to the Facility pursuant to Subsection 1.1.a above and all of the inventory that Samson purchases for resale from time to time during the Term. Also beginning on the Effective Date, Angeles shall provide, at no cost to Samson, office space and furniture for the personnel whom Angeles shall employ pursuant to Section 1.4.b below to support Samson's business operations.

b. Personnel. On or before the Effective Date, Angeles shall offer to employ Samson's present president, sales persons, order clerk and warehouseman to support Samson's business operations at the Facility during the Term. To the extent that any of Samson's current employees decline Angeles' offers of employment, Angeles shall, to the extent reasonably necessary to support Samson's business, hire suitable replacements.

(1) Duties. The individuals hired by Angeles to support Samson's business operation shall, in general, perform the same respective duties for Samson as they performed while employed by Samson. The salespersons hired by Angeles in this regard shall continue to work exclusively on Samson's accounts on Samson's behalf during the Term; the office clerk and warehouseman employed by Angeles shall work for both Samson and Angeles during the Term at the direction of Angeles' supervisory personnel.

(2) Terms of Employment. Angeles shall determine in its sole discretion, the terms of employment that Angeles shall offer the support personnel described above; provided however, that Angeles shall offer to hire Robert S. Custer pursuant to the terms described in the attached Exhibit A. There is a 30-day waiting period for enrollment in the Angeles health insurance plan and the Samson plan will be extended one month to cover this gap.

c. Support Services. Angeles shall provide, at no cost to Samson, standard office services (telephone, telefax, photocopier, etc.) to Samson during the Term. Angeles shall

also provide, at no cost to Samson, the following additional support services:

(1) Accounting Systems. Angeles shall use its best efforts during the Term to integrate available data relating to Samson's business into Angeles' purchasing, order entry, bills of lading, invoicing, payroll (including health insurance), accounts receivable, general ledger and inventory accounting systems.

(2) Bills of Lading and Invoices. Angeles shall prepare all of Samson's bills of lading and invoices as needed during the Term, each of which shall bear Samson's logo and identification.

(3) Periodic Business Reports. Angeles shall also prepare and make available to Samson throughout the Term all of the normal periodic business reports that Angeles is equipped to prepare from time to time with respect to Samson's sales, costs, accounts receivable and inventory as well as other aspects of Samson's business during the Term.

d. Supply of Common Products. Angeles will sell to Samson out of Angeles' inventory all of Samson's ongoing needs for Common Products (Samson shall continue to purchase from third parties only those products that are not Common Products). Samson shall pay for all Common Products purchased from Angeles at a price equal to Angeles' actual current cost of such goods plus one-half of one percent ($1/2$ of 1%) of such cost for shrinkage. To the extent that Angeles incurred a freight-in charge as to any of the products that Angeles sells to Samson, Samson shall also pay Angeles the additional charge of \$.03 per gallon for all such products. All amounts payable to Angeles for inventory pursuant to the foregoing shall be billed weekly by Angeles and shall be paid by Samson within 30 days of the billing invoice date.

e. Drums. Angeles shall provide Samson with drums as needed from time to time to ship products during the Term. Drums shipped out will be charged to Samson at the then-current cost to Angeles of replacing a reconditioned drums (as of the date of this Agreement that replacement cost is approximately \$17.50-to-\$19.00 per drum). Drum returns will be credited to Samson at the then-current replacement cost less the then-current reconditioning cost (as of the date of this Agreement, that reconditioning cost is approximately \$7.50-to-\$8.00 per drum). Junk drums will be charged back to Samson. Samson shall initially pay the foregoing drum charges by assigning to Angeles Samson's existing drum credits with Pacific Coast Drum and paying the drum reconditioning charge until such drum credits are exhausted; as soon as Samson's aggregate drum credits are exhausted, Samson's net drum charges (reconditioning cost plus cost of reconditionable drum "core") shall be billed weekly by Angeles and shall be paid by Samson within 30 days

of the billing invoice date.

f. Insurance. Angeles shall arrange to extend its existing insurance coverage so that, throughout the Term, such insurance shall cover Samson's operations, assets (including inventory) and personnel. Samson shall reimburse Angeles for such insurance in accordance with Subsection 1.5.e below.

Section 1.5 -- Other Monthly Expenses. In addition to the charges that Samson shall pay for inventory and drums as provided above, Samson shall reimburse Angeles as described below for all of the following monthly expenses that are incurred to support Samson's business operations during the Term:

a. Order Clerk. Monthly expenses of one order clerk (including the clerk's wages, employer taxes, group medical premiums and workmen's compensation insurance premiums).

b. Warehouseman. Monthly expenses of one warehouseman (including the warehouseman's wages, employer taxes, group medical premiums and workmen's compensation insurance premiums).

c. Truck Driver. Monthly expenses of one truck driver (including the truck driver's wages, employer taxes, group medical premiums and workmen's compensation insurance premiums).

d. Salespersons. Monthly expenses of the two salespersons working exclusively for Samson during the Term (including the salespersons' salaries and bonuses, employer taxes, group medical premiums, workmen's compensation insurance premiums, automobile expenses and other sales expenses).

e. Insurance. Monthly expenses incurred in providing insurance coverage for Samson, including liability insurance (at the rate of \$7.70/\$1,000 sales), property insurance for coverage of Samson's additional inventory and automobile insurance for any additional drum truck or sales vehicles required to support Samson's operations during the Term. The rate will be revised every calendar year based upon the actual cost. Samson shall be responsible for any deductibles payable under any product liability insurance claims arising from losses sustained by any Samson customers and any deductibles payable under any automobile liability insurance claims arising from losses involving the cars used by Samson salesmen. Angeles shall be responsible for any deductibles payable under any insurance claims arising from losses involving deliveries by Angeles' trucks.

f. Freight. Freight-out charges for any deliveries by common carriers (including Stallion, Angeles' common carrier

subsidiary) for the actual freight bill cost.

g. Truck Expenses. Expenses associated with the ownership and operation of one drum truck, (including gas, oil, repairs, maintenance, license and depreciation).

Angeles shall determine the actual out-of-pocket costs of all of the foregoing items as they are incurred throughout the Term. If Angeles incurs any additional out-of-pocket expenses in connection with Samson's business, or if the parties determine at any time during the Term that any of the foregoing items is not needed, the costs to Samson under this Agreement shall be adjusted accordingly upon mutual agreement. Samson shall reimburse Angeles for the foregoing expenses within seven days after the month in which such expenses are incurred. Samson shall pay for any obligations related to this agreement which are incurred during the Term even if the expenses are paid after the Term.

Section 1.6 -- Income Sharing. Promptly after the end of each calendar month during the Term, Samson's income as defined below ("Income") shall be determined for that prior month as follows:

Gross Revenues From All Sales By Samson in
Prior Month

less: Product cost plus shrinkage and Freight-In
Charges Paid by Samson to Angeles (pursuant to
Subsection 1.4.d) (or inventory cost on
noncommon products)

less: Net Drum Reconditioning Charges Paid by Samson
to Angeles (pursuant to Subsection 1.4.e)

less: Other Expenses Paid by Samson to Angeles for
That Month (pursuant to Section 1.5)

less: Any profit on transactions where the receivable
is found to be uncollectable

equals: "Income"

If Income as calculated above is negative, that amount shall be added to the amount of Samson's cumulative loss ("Cumulative Loss"), if any, from previous month(s) during the Term. If Income is positive, the amount of that Income shall first be offset against the Cumulative Loss carryover, if any, from prior month(s). Any net Income remaining after such offset shall be divided equally between Samson and Angeles at the end of the second month after the Income was earned (e.g. February's profit will be paid at the end of April).

Section 1.7 -- Term. The initial Term of this

Agreement shall be the six-month period ending September 30, 1991. The Term shall be automatically renewed for an additional five-year period commencing October 1, 1991, unless either party gives the other party written notice on or before August 31, 1991 that the notifying party does not wish to renew the Term.

a. Action to be Taken if Term is Not Renewed. If the Term is not renewed after September 30, 1991, Samson and Angeles shall agree upon a reasonable arrangement that will allow Samson a reasonable time after September 30, 1991 within which to relocate its business operation elsewhere in an orderly fashion. Furthermore, Angeles shall, if requested by Samson, contact all suppliers with whom both Angeles and Samson dealt before the Term (including, without limitation, ARCO, Hoescht-Celanese, CH Chemicals, Kern and Pacific Coast Drum) and shall inform those suppliers as to all products that Angeles purchased from such suppliers for Samson during the Term (so that Samson may then attempt to re-establish its direct distributor relationships with those suppliers after the Term).

b. Action to be Taken if Term is Renewed. If the Term is renewed as provided above, all provisions that were applicable to the initial six-month Term as provided above in this Article I shall continue to apply to the five-year renewal Term, except as follows:

(1) New Products. In addition to continuing its sales of Common Products to Samson as needed throughout the renewal Term, Angeles shall purchase for resale to Samson all other products needed by Samson when Samson's inventories of such additional products are exhausted (such additional products currently include, without limitation, Reichhold resins, Mitsubishi resins and certain Texaco products). Samson shall pay for such additional products at the same rates and according to the same terms that are applicable to its purchases of Common Products as provided above. Samson will provide justification, satisfactory to Angeles for the purchase of new products not previously stocked.

(2) Accounts Receivable. At the end of the renewal Term all outstanding Accounts Receivable will belong to Samson. Receivables generated on sales occurring after the end of the renewal Term will belong to Angeles.

(3) Transfer of Remaining Samson Business At Expiration of Term. At the expiration of the renewal Term, Samson shall use its best efforts to transfer, convey, assign and deliver to Angeles all of its distributor relationships. Concurrently, Samson shall transfer, convey, assign and deliver to Angeles all of its business accounts, customers and customer records. Samson shall then cease operations and Angeles from that time on, shall own and receive the full benefit of Samson's said distributor relationships, business

2
accounts, customers and customer records and the sole right to use the same, and all properties, assets and rights (whether tangible, intangible, personal or real), used exclusively in or relating exclusively to Samson's said distributor relationships, business accounts, customers and customer records, ("the Business"), shall be the property of Angeles, including, but not limited to the following:

(i) All confidential information used by Samson in said Business; all registered and unregistered trademarks, service marks, logos, the right to use the corporate name, trade name and all other trademark rights used exclusively in the Business; and all registrations for and applications for registration of, any of the foregoing; all goodwill and going concern value of the Business;

(ii) The benefits relating to any prepaid expenses relating to the Business;

(iii) All rights existing under contracts, licenses, permits, distribution arrangements, sales and purchase agreements, other agreements and business arrangements which relate exclusively to the Business;

(iv) All raw materials, work-in-progress, finished goods, packaging and other inventories used exclusively in the Business, which shall be transferred to Angeles in return for Angeles payment to Samson for such goods and inventory, but not to exceed the amount that Angeles can concurrently purchase such goods and inventories for.

(v) All rights to receive mail and other communications which relate exclusively to the Business; and

(vi) All records pertaining to customers and accounts, personnel records, all lists and records pertaining to suppliers, and all books (except Samson's corporate books of account which shall remain the property of Samson), ledgers, files and business records of every kind which relate exclusively to the Business.

Except as set forth in this Agreement, the Assets shall be conveyed to Angeles, free and clear of any and all liens, mortgages, claims, encumbrances or restrictions.

From time to time after the expiration of the renewal term and upon the reasonable request of Angeles, Samson shall execute and deliver or cause to be executed and delivered such instruments of conveyance, assignment and transfer and take such further action as Angeles may reasonably request in order more effectively to sell, assign, convey, transfer and record title to any of the Business assets that are transferred by Samson to Angeles pursuant to the foregoing. Angeles will accept the liability associated with the Samson drum deposits and Samson will transfer ownership of its outstanding deposit drums to Angeles.

(4) Freight-in charges will be adjusted semiannually based upon actual costs.

Section 1.8 -- Security For Samson Payments. Samson shall pledge its Accounts Receivable to Angeles as a guarantee that the payments due Angeles for product, services provided, and income share will be made. In lieu of this pledge of Accounts Receivable, Robert S. Custer and his spouse may provide a personal guarantee for these payments. This personal guarantee will be voided as soon as the pledge of the Accounts Receivable is in effect.

ARTICLE II -- CONFIDENTIALITY AND NONSOLICITATION

Section 2.1 -- Acknowledgment of Confidentiality. Each party acknowledges and agrees that the other party's customer lists and documentation (collectively, "Customer List"), whether in writing or on magnetic tape, disk or other media, are and shall at all times during the Term remain the sole, exclusive and valuable proprietary property of the other party. Each party further acknowledges and agrees that the other party's Customer List constitutes a trade secret and the confidential information of the other party and that, until the expiration of the five-year renewal Term, Angeles shall not have any proprietary interest in or right to Samson's Customer List, and Samson shall not have any proprietary interest in or right to Angeles' Customer List. A listing of customers sold by Samson over the 18 month period 8/1/89 to 1/31/91 is shown in the attached Exhibit B.

Section 2.2 -- NO DISCLOSURE OR USE. EACH PARTY AGREES THAT IT SHALL NOT DISCLOSE OR USE, EITHER DIRECTLY OR INDIRECTLY, ON ITS OWN BEHALF OR ON BEHALF OF ITS EMPLOYEES OR ANY OTHER PERSON OR BUSINESS ENTITY, THE OTHER PARTY'S CUSTOMER LIST; PROVIDED, HOWEVER, THAT, IF THE TERM IS RENEWED AS PROVIDED ABOVE, ANGELES SHALL BE ENTITLED TO USE AND SHALL OWN FOR ALL PURPOSES SAMSON'S CUSTOMER LIST IMMEDIATELY FOLLOWING THE EXPIRATION OF THE FIVE-YEAR TERM.

Section 2.3 -- Nonsolicitation

a. Customers. Neither party shall at any time during the Term seek to solicit the other party's then-current customers. If, without improper solicitation, the parties happen to share certain customers in common, any resulting conflicts between the parties regarding those customers shall be discussed and resolved on a case-by-case basis. If there are disputed customer situations which cannot be readily resolved, these will be referred to a mutually agreeable third party who will, as equitably as possible, determine which company should back away from the particular customer.

b. Salespersons. Neither party shall seek to employ on its own sales staff any of the individuals who are then

working on the other party's sales staff, without the other party's prior written consent.

Section 2.4 -- Injunctive Relief. Each party stipulates and agrees that any violation or breach by it of the prohibitions of this Article II against unauthorized use of disclosure of the other party's Customer List or against unauthorized solicitation of the other party's sales staff would cause the other party immediate immeasurable and irreparable harm for which the other party has no adequate remedy at law. Each party accordingly agrees that, in the event of any actual or threatened violation or breach by it of such prohibitions, the other party shall be entitled to immediate injunctive relief as described below in Section 5.2.

ARTICLE III -- REPRESENTATIONS AND WARRANTIES

Section 3.1 -- Samson. Samson represents and warrants to and agrees with Angeles as follows:

a. Corporate Organization. Samson is a corporation duly organized, validly existing and in good standing under the laws of the State of California. Samson has full corporate power and authority to own its property and to engage in the Business now conducted by it and to perform all obligations under all agreements to which it is a party. Samson is qualified to do business and is in good standing as a corporation in the State of California. Samson has full power and authority to enter into and perform all of its obligations under this Agreement.

b. Validity and Corporate Action. The execution and delivery of this Agreement has been duly authorized by the Board of Directors of Samson and no further corporate authorization on the part of Samson is necessary to consummate the transactions contemplated herein. This Agreement constitutes the valid and legally binding obligation of Samson enforceable in accordance with its terms and subject to its conditions, except to the extent such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or other laws relating to or affecting the enforcement of creditors' rights or by general equitable principles. To its knowledge, the execution and delivery of this Agreement will not conflict with, result in the breach of, constitute a default under, or accelerate the performance provided by, the terms of any contract, agreement or instrument to which Samson is bound or committed, or the Articles of Incorporation or By-Laws of Samson, or constitute an event that, with the lapse of time or action by a third party, could result in a default under any of the foregoing.

c. Litigation Except as set forth in a separate Schedule 3.1.c attached hereto: (1) there are no suits, actions or administrative, arbitration or other proceedings

or governmental investigations pending or, to Samson's knowledge, threatened against or relating to Samson which may adversely affect the Assets or which may adversely affect the earnings of the Business; (ii) Samson is not acting as a party in any suit, action or administrative, arbitration or other proceeding relating to the Assets or which may adversely affect the earnings of the Business; and (iii) Samson is not subject to any consent decree, compliance order, or administrative order with respect to any property owned, operated, leased, or used by Samson in the Business.

d. Owned Properties. Samson has good and marketable title to all its business accounts, customers, customer records and assets subject to no lien, claim or encumbrance.

Section 3.2 -- Angeles. Angeles represents and warrants to Samson as follows:

a. Corporate Organization. Angeles is a corporation duly organized, validly existing and in good standing under the laws of the State of California. Angeles has full corporate power and authority to own its property and to engage in the Business now conducted by it and to perform all obligations under all agreements to which it is a party. Angeles is qualified to do business and is in good standing as a corporation in the State of California. Angeles has full power and authority to enter into and perform all of its obligations under this Agreement.

b. Validity and Corporate Action. The execution and delivery of this Agreement has been duly authorized by the Board of Directors of Angeles and no further corporate authorization on the part of Angeles is necessary to consummate the transactions contemplated herein. This Agreement constitutes the valid and legally binding obligation of Angeles enforceable in accordance with its terms and subject to its conditions, except to the extent such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or other laws relating to or affecting the enforcement of creditors' rights or by general equitable principles. To its knowledge, the execution and delivery of this Agreement will not conflict with, result in the breach of, constitute a default under, or accelerate the performance provided by, the terms of any contract, agreement or instrument to which Angeles is bound or committed, or the Articles of Incorporation or By-laws of Angeles, or constitute an event that, with the lapse of time or action by a third party, could result in a default under any of the foregoing.

ARTICLE IV -- SURVIVAL AND INDEMNIFICATION

Section 4.1 -- Survival. All representations, warranties, covenants and agreements contained in this Agreement or in any document delivered pursuant hereto shall

be deemed to have been relied upon by the parties hereto, and, notwithstanding any examination made for or on behalf of Angeles or Samson, shall survive the expiration of the renewal term provided for herein and for a period ending on the date that is exactly three (3) years thereafter.

Section 4.2 -- Indemnification of Angeles. Samson agrees to indemnify Angeles and hold it harmless against any loss, liability, damage or expense (including reasonable legal expenses and costs) which Angeles may suffer, sustain or become subject to, as the result of a breach of any representation, warranty, covenant, or agreement by Samson contained in this Agreement, including without limitation, any liabilities, debts and taxes which Samson has or may have during the term of this Agreement and for a period ending on the date that is exactly three (3) years thereafter, but only to the extent a third party may impose or seek to impose such liabilities, debts and taxes against Angeles and, including without limitation, any failure to fulfill its obligations with respect to the liabilities assumed hereunder, and shall indemnify Angeles and hold it harmless against any and all actions, suits, claims and other proceedings which arise directly or indirectly out of the operation of any business which Samson has but only to the extent a third party may impose or seek to impose such actions, suits, claims and other proceedings against Angeles either during the period of this Joint Venture Agreement and, to and including, expiration of the renewal term provided for therein, and for a period ending on the date that is exactly three (3) years thereafter.

Section 4.3 -- Defense Against Asserted Claims. If Angeles seeks indemnification (the "Indemnified Party"), it shall give written notice to Samson ("Indemnifying Party") of the facts and circumstances giving rise to the claim. The indemnified Party shall not settle or compromise any claim by a third party for which the Indemnified Party is entitled to indemnification hereunder without the prior written consent of the Indemnifying Party, unless legal action shall have been instituted against the Indemnified Party and the Indemnifying Party shall not have taken control of such legal action within 60 days after notification thereof as provided herein. In connection with any claim giving rise to indemnification hereunder resulting from or rising out of any claim or legal proceeding by a person other than the Indemnified Party, the Indemnifying Party, at its sole cost and expense, may, upon written notice to the Indemnified Party, assume the defense of any such claim or legal proceeding without prejudice to the right to the Indemnifying Party thereafter to contest its obligation to indemnify the Indemnified Party in respect to the claims asserted therein. If the Indemnifying Party assumes the defense of any such claim or legal Proceeding, the Indemnifying Party shall select counsel reasonably acceptable to the Indemnified Party to conduct the defense in such claims and legal proceedings

and at its sole cost and expense shall take all steps necessary in the defense or settlement thereof, subject to the provisions hereinafter contained.

The Indemnifying Party shall not consent to a settlement of, or the entry of any judgment arising from, any claim or legal proceeding, without the prior written consent of the Indemnified Party, unless the Indemnifying Party admits in writing its liability to hold the Indemnified Party harmless from and against any losses, damages, expenses and liabilities arising out of such settlement and concurrently with such settlement, the Indemnifying Party pays into the court the full amount of all losses, damages, expenses and liabilities to be paid by the Indemnifying Party in connection with such settlement and, if such settlement would impose or affect ongoing obligations of the Indemnified Party, the Indemnified Party consents thereto, which consent shall not be unreasonably withheld.

The Indemnified Party shall be entitled to participate in the defense of any such action with its own counsel and at its own expense. If the Indemnifying Party does not assume the defense of any such claim or litigation resulting therefrom in accordance with the terms hereof, the Indemnified Party may defend such claim or litigation in such a manner as it may deem appropriate, including settling such claim or litigation after giving notice of the same to Indemnifying Party on such terms as Indemnified Party may deem appropriate, and in any action by the Indemnified Party seeking indemnification from Indemnifying Party in accordance with the provisions of this Section, Indemnifying Party shall not be entitled to question the manner in which the Indemnified Party defended such settlement. In the event of a claim by a third party, the Indemnified Party shall cooperate with the Indemnifying Party in the defense of such action (including making a personal contact with the third party if deemed beneficial) and the relevant records of each party shall be reasonably available to the other with respect to such defense. Following the full indemnification of the Indemnified Party, the Indemnifying Party shall be subrogated to the rights of the Indemnified Party against such third party claimant and any third party insurer with respect to such claim.

ARTICLE V -- MISCELLANEOUS

Section 5.1 -- Unforeseen Circumstances. The parties recognize that all future circumstances bearing upon this Agreement cannot be anticipated. The parties therefore agree that, when unanticipated matters arise in the future, they shall use their best effort to resolve all such matters in an equitable fashion.

Section 5.2 -- Events of Default

a. Events of Default Defined. For purposes of this Agreement, each of the following events shall constitute an event of default ("Event of Default") by a party:

(1) The party fails to perform any of its obligations under this Agreement, and such failure continues uncured for more than 30 days after the nondefaulting party gives the defaulting party written notice describing such default;

(2) An application is filed for the appointment of a receiver for the party, or a petition is filed by or against the party under any law or statute alleging that the party is insolvent or unable to pay its debts as they mature; or

(3) The party becomes insolvent or makes an assignment for the benefit of creditors.

b. Rights Upon Occurrence of Event of Default. Upon the occurrence of any Event of Default by a party, the nondefaulting party may, in addition to exercising any other rights available to it at law or in equity, exercise one or more of the following rights:

(1) Terminate this Agreement upon 30 days' written notice to the defaulting party;

(2) Declare all amounts, if any, owed to the nondefaulting party under this Agreement to be immediately due and payable;

(3) Cease performance of all of the nondefaulting party's obligations under this Agreement without liability to the defaulting party: and/or

(4) Waive any default: provided, however, that the waiver of any particular default shall not operate as a waiver of any other default or of the same default on a prior or future occasion.

Furthermore, upon either party's breach of, or failure to perform, any of its obligations under Article II of this Agreement, the nondefaulting party shall be entitled to immediate injunctive relief in any court of competent jurisdiction restraining the defaulting party, its employees and all other persons and business entities from the unauthorized use or disclosure of the nondefaulting party's Customer List and from the unauthorized solicitation of the nondefaulting party's sales staff.

Section 5.3 -- Early Termination of Agreement

a. By Angeles. Angeles expects, but cannot guarantee, that Angeles will remain in business throughout the Term and

that it will be able to handle all of Samson's business during the Term. If, as a result of new environmental regulations or otherwise, Angeles determines that it is no longer able practical to remain in business, Angeles may terminate this Agreement, effective as of the date it ceases operations. Furthermore, Robert S. Custer is the sole owner of all the shares of Samson and if there is any change in Samson's ownership at any time during the Term (other than a change resulting from the death of Robert S. Custer with his ownership succeeding to his estate or heirs), Angeles may, in its sole discretion and upon 90 days' written notice to Samson, elect to terminate this Agreement as of the end of the 90-day period.

b. By Either Party. Following an Event of Default (as defined in Section 5.2 above) by either party, the nondefaulting party may, upon 30 days' written notice to the defaulting part, terminate this Agreement as of the end of that 30-day period.

If this Agreement is terminated pursuant to this provision before the expiration of the five-year renewal Term, the parties' respective businesses shall be segregated, to the extent possible, and Samson shall relocate its business assets and operations to another location, as soon after the termination as possible.

Section 5.4 -- Effect of Termination. If this Agreement is terminated for any reason other than the expiration of the five-year renewal Term, the obligations and rights of each party under Article II of this Agreement shall survive any such termination.

Section 5.5 -- Entire Agreement; Amendment. This Agreement constitutes the entire agreement between the parties pertaining to the subject matter of this Agreement, and supersedes all prior and contemporaneous agreements, understandings, negotiations, and discussions of the parties, whether oral or written and there are no representations or other agreement between the parties in connection with the subject matter of this Agreement, except as specifically set forth in this Agreement. No amendment, supplement, modification, waiver or termination of this Agreement shall be binding unless executed in writing by the party to be bound by such amendment, supplement, modification, waiver or termination. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision of this Agreement, whether or not similar, nor shall such waiver constitute a continuing waiver unless otherwise expressly provided in writing by the waiving party.

Section 5.6 -- Governing Law. This Agreement shall be construed and interpreted according to the laws of the State of California.

Section 5.7 -- Assignment; Successors. This Agreement shall not be assigned by either party without the prior written consent of the other party. Subject to the foregoing, this Agreement shall inure to the benefit of, and be binding upon, the parties and their respective successors and assigns.

Section 5.8 -- Notices. All communications or notices required or permitted by this Agreement shall be in writing and shall be deemed to have been given at the earlier of the date actually delivered to an officer of a party or two days after the deposit of such communications or notices in a United States mail receptacle, sent by certified or registered mail, postage prepaid, return receipt requested, and addressed as follows, unless and until any such party notifies the other party in accordance with this Section of a change of address:

If to Angeles: Angeles Chemical Co., Inc.
 Attention: John G. Locke, President
 8915 Sorensen Ave.
 Santa Fe Springs, CA 90670

If to Samson: SARAMCO, INC.
 Attention: Robert S. Custer, President
 20695 S. Western Ave. Suite 140
 Torrance, CA 90501

Section 5.9 -- Counterparts; Headings. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same Agreement. The Article and Section headings in this Agreement are inserted for convenience of reference only and shall not constitute a part of this Agreement.

Section 5.10 -- Interpretation. Unless the context requires otherwise, all words used in this Agreement in the singular number shall extend to and include the plural, all words in the plural number shall extend to and include the singular, and all words in any gender shall extend to and include all genders.

Section 5.11 -- Severability. If any provision, clause or part of this Agreement, or the application of such provision, clause or part under certain circumstances, is held invalid, the remainder of this Agreement, or the application of such provision, clause or part under other circumstances, shall not be affected by such invalidity, and this Agreement shall be enforced to the fullest extent permitted by law.

Section 5.12 -- Settlement of Disputes. The parties shall make a good-faith effort to settle any dispute or claim arising under this Agreement. If the parties fail to resolve

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such disputes or claims, they shall be required to submit them to binding arbitration before the "American Arbitration Association", or the "Judicial Arbitration and Mediation Service, Inc." (JAMS). If the parties are unable to agree on the arbitration company, (the American Arbitration Association or the Judicial Arbitration and Mediation Service), the Superior Court of the County of Los Angeles shall be competent to and shall designate one of the arbitration companies above referred to to act and the decision of the Court thereon shall be binding.

Notwithstanding the provisions of this paragraph, either party may seek appropriate injunctive relief for any threatened breach.

The nonprevailing party shall bear the reasonable legal fees and expenses of the opposing party in any arbitration proceeding, including court action for injunctive relief, unless the arbitrator, or courts, in the event of an application for injunctive relief to the Court, determines otherwise.

Any controversy or claim arising under this Agreement submitted to arbitration shall be under the following rules:

a. Each party shall select one arbitrator who shall then combine and select a joint arbitrator. If either party fails to select an arbitrator within ten days after arbitration is sought, or the two arbitrators fail to select a third arbitrator within 15 days after arbitration is sought, the arbitration company shall make the selection. The joint arbitrator selected by the parties' arbitrators shall solely preside over the proceeding.

b. The parties shall agree on and stipulate to a statement of facts and issues presented which shall be submitted to the arbitrator.

c. If desired, each party may submit a written statement of position to the arbitrator. If a party chooses to submit a statement of position, copies of that statement must be served on all other parties, who shall have the right to submit written rebuttals within ten (10) days from receipt. Copies of such rebuttals shall be served on all parties.

d. The parties shall have all discovery rights provided by the California Code of Civil Procedure and any case law interpreting it.

e. The arbitrator shall set a discovery and trial schedule and preside over any discovery disputes.

f. Upon conclusion of discovery, the arbitrator shall conduct a hearing at which he shall apply the California Rules of Evidence and Civil Procedure as they relate to trial.

g. The decision of and any award from the arbitrator shall be binding on the parties and judgment thereon shall be entered by the Los Angeles County Superior Court Clerk.

bc *[Handwritten initials]*

IN WITNESS OF THIS AGREEMENT, the parties have signed below by their respective duly authorized representatives as of the date first written above.

ANGELES CHEMICAL CO., INC.

By *[Signature of John G. Locke]*

John G. Locke, Its President

SARAMCO, INC.

By *[Signature of Robert S. Custer]*

Robert S. Custer, Its President

Terms Of Employment -- Robert S. Custer

Angeles shall offer to employ Robert S. Custer during the Term of the Agreement pursuant to the following terms:

Custer will be provided with the same health insurance as is provided to other Angeles employees.

Custer shall be paid a salary of \$50,000.00 per year. This salary may be changed from time to time at the request of Samson. This salary payment and the associated taxes will not be considered as expenses to the joint operation and will not be subtracted in determining the "income" to be split; the funds for this payment will come from Samson's share of the income and will be paid to Angeles along with other monthly expenses.

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Report #20

Summary Customer History
For Customers *FIRST to *END
From 08/01/89 to 01/31/91

Page 1

List #	Customer Name	Class	Gross Sale	Ext Cost	Ext Profit	Margin
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Details of this exhibit will be supplied at closing.

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